EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,178

Wednesday June 20 1990

D 8523A

SPAIN
Counting cost of joining the club
Page 18

World News

Canada looks for way out of Meech Lake impasse

Canadian cabinet ministers and constitutional experts were searching for a way to rescue the controversial Meech Lake accord from the snags it has hit in the province of Manitoba.

Prime Minister Brian Mulroney is rapidly running out of time and options to secure passage of the constitutional reforms. Page 4

Hijacker gives up

A hijacker who forced an internal Soviet flight to divert to Helsinki later gave himself up. All 60 people on board were safe after the hijacker abandoned an earlier demand that the airliner fly on to Israel via Sweden. Page 3

Dutch IRA warning

Dutch police said they believed many more Irish Republican Army terrorists could still be at large on the European mainland despite the capture of four suspects in the Netherlands and Belgium over the last few days. Page 9

Bucharest boycott

The US will boycott today's inauguration of Romanian President Ion Iliescu in what diplomats said was a strong protest against his use of miners in a violent crackdown on dissent last week.

Apartheid relaxed

South Africa repealed the Separate Amenities Act, an apartheid law used since 1953 to segregate public facilities ranging from restaurants to libraries to buses. Communism finds a home, Page 20

Five end controls

France, West Germany, Belgium, the Netherlands and Luxembourg signed a treaty eliminating border controls for travellers, a foretaste of the frontier-free European Community.

Pledge on porpoises

Japan has been tightening its restrictions on fishermen who hunt porpoises since the annual porpoise kill tripled in 1988, a Tokyo Foreign Ministry spokesman said.

Switch-off request

Cuba asked President George Bush to halt a 12-week-old US television broadcast to the island, saying it was a chance for Washington to be sensible.

Mass grave found

Soviet authorities believe they have found a third mass grave near Kalinin, north of Moscow, containing remains of some of the 15,000 Polish officers murdered by Stalin's secret police.

Irish hostage move

Three Irish parliamentarians held talks with Iranian officials in Tehran about Irish teacher Brian Keenan, held hostage by Moslem groups in Lebanon.

Florida death toll

The silent gunman who killed eight people and seriously wounded five on Monday at a Jacksonville, Florida, agency that had repossessed his car also killed two people in separate shootings the day before, police said.

Andorra advances

The medieval principality of Andorra, wedged in the Pyrenees between France and Spain, is to draft its first constitution in a step towards becoming a fully-fledged state.

Opera amid the ruins

Jordan plans to stage operas by Bellini and Verdi next year amid the ruins of Jerash, an ancient Greco-Roman city 25 miles north of Amman.

Sniffing out pollution

Anti-pollution groups said they plan to employ 400 "sniffers" to track down sources of pollution in northern France. "The nose is more efficient than any machine," a spokesman said.

Business Summary

Alcatel Bell moves into USSR with $2.8bn sale

The Soviet Union is to buy an estimated Ecu2.3bn ($2.8bn) worth of digital telephone lines over the next 20 years from a joint venture with Alcatel Bell, the Belgian subsidiary of Europe's largest telecommunications equipment supplier. This is the first big western breakthrough into the Soviet telecommunications market since western allies agreed earlier this month on a sweeping liberalisation of technology sales to the east, and the first Soviet-based joint venture in digital switching equipment. Page 3

MERCEDES-BENZ, automotive subsidiary of West German Daimler-Benz group, plans to increase its car output by 4.2 per cent, to 565,000 this year. Car production fell last year by 3.1 per cent. Page 21

TIME WARNER, entertainment giant, may withdraw its $650m planned loan to back $1.2bn planned acquisition of MGM/UA by Pathé Communications. Page 23

URUGUAY ROUND of trade talks produced agreement on a significant simplification of world trading system. Page 4

MOTOROLA shipments of its flagship microprocessor product were halted by US court after a patent dispute between Motorola and Hitachi of Japan. Page 4

NEW ZEALAND trade restrictions imposed by the US in 1985 in retaliation for NZ's anti-nuclear policies, will be eased. Page 4

YUGOSLAVIA's economic stabilisation programme will face major test next month, according to the Organisation for Economic Co-operation and Development. Page 2

BRITISH STEEL made its first manufacturing venture outside UK, with $177.45m purchase of Klöckner-Werke's sectional steel division at Troisdorf, West Germany. Page 21

INDIA prefers foreign equity investment to borrowing abroad to avoid adding to the foreign debt, said Prime Minister V. P. Singh. Page 6

AMES DEPARTMENT Stores, big US discount retailer which filed for bankruptcy protection in April, reported a big first-quarter loss as cost of restructuring. Page 23

BRITAIN's Exports Credits Guarantee Department is delaying introduction of new premium charges for capital goods exports. Page 4

GOODYEAR Tire & Rubber said it would report second-quarter pre-tax charges of $35m for restructuring actions in North American operations. Page 23

TAIWAN will refuse permission for Formosa Plastics, country's biggest industrial conglomerate, to invest $7bn in petrochemicals complex in China. Page 6

UK defence stocks fell heavily on the London stock market after Government announced defence cuts of £600m. Page 8; Lex, Page 20

GREECE plans to lift restrictions on capital outflow over the next 12 months. Page 2

DEN NORSKE BANK Norway's biggest bank, reported net losses of NKr491m ($75.8m) for the first four months of this year. Page 22

BANK LEU, Swiss commercial bank, president and chairman Mr Kurt Schiltknecht is leaving his post. Page 21

JAPAN should undertake a comprehensive review of land tax policy, according to report by the Government's National Land Agency. Page 6

TURKISH complaints of delayed export payments of up to $100m threaten to sour burgeoning trade with Soviet Union. Page 4

Mikhail Gorbachev shakes hands with Boris Yeltsin yesterday at the Russian Communist Party congress

Gorbachev warns Russia on destructive nationalism

By Leyla Boulton in Moscow

PRESIDENT Mikhail Gorbachev, the Soviet leader, yesterday launched an impassioned plea for national unity with a warning to Russian Communists not to challenge the supremacy of the Soviet Communist Party.

Russian nationalism could destroy the country, he told the founding congress of a new Russian Communist Party, and said that the Communist Party of the Soviet Union, which has ruled the country since 1917, should retain ultimate authority over other Communist parties.

"The fundamental issue is how we integrate the organisation of the Russian Communist Party with the need to ensure consolidation within the CPSU as a whole," he told 2,744 delegates from the Russian Federation, the largest republic.

"How are we to reconcile the ever-strengthening isolationist mood in Russia with our historical obligation to conserve the integrity of the USSR as a great world power? We have to make a historic choice on which the fate of Russia, the Party, the entire country and the world depend."

Mr Gorbachev, who is general secretary of the CPSU, had given the party the green light a week ago, under pressure from conservatives who want to use it as a power base and from Russian nationalists who complained that the 14 other republics were allowed to have one. Soviet leaders since Lenin had resisted the idea, saying it would give Russians too much power within the country.

But Mr Gorbachev, having decided to try to swim with the tide, said the new party was "expedient and necessary."

Mr Gorbachev also attacked both radicals and conservative Communists, who are currently fighting for the soul of the CPSU ahead of its congress next month.

He described radical demands for a parliamentary Russian party as leading to "the destruction of the CPSU from within and its removal from the political stage."

He also condemned conservatives as having "their own outdated ideas of a socialism which has lost any real link with reality."

Mr Gorbachev came under sharp attack from some delegates at yesterday's meeting. Mr Ivan Osadchiy, a party conservative, said: "Instead of strengthening all links of the party, determining its strategy and tactics, the CPSU leadership has reduced it to crouching unarmed in the trenches under massive shelling by anti-socialist forces."

Saying that there was no question of returning to the country's Stalinist past, the Soviet President defended his efforts to switch the Soviet Union towards a market economy and the achievement of a human society.

Acknowledging that Russian interests had suffered in the past, he warned unnamed leaders against exploiting Russian national feelings and economic difficulties.

Lithuania puts Moscow offer on agenda, Page 3; Communism finds homeland in South Africa, Page 20

EC reaches accord on plan for sales of Japanese cars

By David Buchan in Luxembourg

THE MAIN protagonists in the European Community's long internal debate about future treatment of Japanese car sales in Europe appeared yesterday to have reached a joint position to put to Tokyo.

As a result the European Commission, which is due to continue talks with Japan next month, hopes a "basic arrangement" can be reached with Tokyo by the end of the month.

The 12 EC trade ministers, meeting in Luxembourg, expressed broad agreement that the Japanese would be left essentially free to make as many cars they want inside the EC but that the greater their local production in the Community, the less they would ship directly from Japan for a transition period after 1993.

The issue of "transplanted" Japanese production in Europe has been highly sensitive for Britain, which has considerable Japanese car investment, and for France and Italy, which have tight national curbs on Japanese imports that are due to disappear with the approach of the single market.

The ministers issued no formal statement after their restricted discussion on cars. Indeed, the agreed essence of the forthcoming negotiations with Tokyo is that they should remain informal, with the Commission operating without any formal mandate, because such trade restraints are questionable under Gatt rules.

However, Mr Nicholas Ridley, the British Trade and Industry Secretary, was said to be content with the formula that "the more the investment of Japanese carmakers in the EC develops, the less need there will be for exports direct from Japan," a UK official said.

Trade ministers of the big four car producer countries – France and Italy, on the protectionist side, and Britain and West Germany, protagonists of freer trade in this sector – have met secretly recently and yesterday sought to sell their compromise to the other eight EC states.

Only Greece objected, arguing for a 10-year transition period with totally-free Japanese sales only in 2002. However, Commission officials claimed a general consensus among the other 11 for a five-year transition period.

Crucial to this compromise has been Mr Renato Ruggiero, Trade Minister of Italy, which takes over the EC presidency next month. He indicated yesterday an emerging consensus on three other points, apart from taking into account, but not restricting, transplant output:

- Overall Japanese sales to the EC and to the five countries with current curbs would be monitored. Thus, Bonn has won its point that access to the West German market should stay unrestricted.
- A system would have to be developed to prevent, in the transition period, Japanese cars leaking from "free" markets such as West Germany, to specifically monitored markets such as France or Italy.
- Mr Ruggiero claimed there would have to be some parallel discussions with Japan about its domestic car market.

Court allows suspension of UK law

By Tim Dickson in Luxembourg and Robert Rice in London

A DECISION with far-reaching constitutional implications for Britain was handed down by the European Court of Justice yesterday when it ruled that a UK court can suspend an Act of Parliament on the grounds of its alleged incompatibility with EC law.

The historic ruling – on a challenge by Spanish fishermen to the legality of the UK's 1988 Merchant Shipping Act – makes it clear that any Act of Parliament passed since Britain joined the EC in 1973 must be read as subject to directly enforceable rights under Community law.

Its immediate effect will be to revive, and almost certainly complicate, the row over "quota hopping" whereby the UK's fishing quotas have allegedly been plundered by Spanish-owned fishing vessels flying the British flag.

But the judgment also provides British courts with a new power of injunction – not available under English law – to suspend the application of new legislation pending the outcome of any challenge in the European Court.

Yesterday's decision arose out of a claim by a group of mainly Spanish-owned UK deep sea fishing companies that amendments to the legislation governing registration of British fishing vessels in the 1988 Merchant Shipping Act were illegal under EC law.

The Act, which was designed to outlaw quota hopping, set up a new register for British fishing vessels and introduced new conditions relating to the residence, domicile and nationality of owners. The effect was to ban 95 Spanish fishing boats which had been fishing in British waters.

Interim relief, suspending the relevant parts of the Act, was initially granted to the fishing companies by the High Court.

On appeal, the Law Lords – Britain's highest court – ruled that under English law the courts had no power to suspend the application of an Act of Parliament on the grounds of its alleged, but unproven, incompatibility with Community law, but referred to Luxembourg the question of whether Community law conferred on a national court the power or obligation to grant interim relief in such circumstances.

The European Court said yesterday: "Community law must be interpreted as meaning that a national court which, in a case before it concerning Community law, considers that the sole obstacle which precludes it from granting interim relief is a rule of

Continued on Page 20

Growth fuels fear of inflation in Tokyo

By Stefan Wagstyl in Tokyo

THE Japanese economy showed annual growth of 10.4 per cent in the first quarter of this year, considerably faster than expected, according to figures announced yesterday.

The report from the government's Economic Planning Agency will raise hopes that the current surge in Japanese growth, which is now in its fourth year, will persist. However, it will also prompt new fears that continuing labour shortages may fuel inflation.

The danger of a resurgence in inflation was highlighted by figures published separately by the Bank of Japan, which showed money supply grew by 13.2 per cent last month, compared with a year ago, an increase well in excess of the central bank's informal target.

The main feature of the strong economic growth in the first quarter was a surge in external demand, which reflected a sharp increase in exports. External demand accounted for 1.3 percentage points of the 2.5 per cent increase in growth over the

Continued on Page 20
Trade surplus advocates condemned, Page 6

Italian unions call July strike after fruitless wage discussions

By John Wyles in Rome

ITALY'S three union confederations will tomorrow call a general strike for July in their first trial of strength with private sector employers in more than five years.

The call, for both public and private sector workers to stop work between July 10 and July 15, followed fruitless discussion on employers' demands for wage moderation.

In turn, Confindustria, the manufacturers association which represents Italian private industry, will formally withdraw from the scala mobile wage indexation system in the next few days.

The outcome of yesterday's meeting was almost a foregone conclusion given the evident gap between the positions of the two sides.

Confindustria had already called a halt to pace-setting pay talks covering 1.5m engineering workers, insisting that there must first be a remodelling of the Italian pay bargaining system, while the unions had dug in on their demand that sectoral agreements in engineering, chemicals, textiles and elsewhere, must first be concluded before broader issues could be discussed.

An offer by Mr Sergio Pininfarina, the Confindustria president, to include the sectoral unions in talks on a new pay system was rejected by the leaders of the three confederations, the CGIL, CSIL and UIL.

Mr Franco Marini, secretary of CISL, said later they had no objection to discussing pay reform and the scala mobile, but first "we have to agree the wage contracts".

Because some of these will run until 1994, Mr Pininfarina argued yesterday that private industry could not risk worsening an already deteriorating competitive situation during the opening of the European Community's internal market.

The industrialists have bombarded the newspapers in recent days with statistics about their declining competitiveness.

They have called as evidence statements by Mr Carlo Azeglio Ciampi, the Governor of Italy's central bank, that union demands for wage rises of 40 per cent or more over three years were inflationary and damaging to industry's position.

In a speech yesterday afternoon, Mr Pininfarina asserted that the Community's move towards a system of fixed exchange rates "no longer allows us to count on changes in the lira to recover lost competitiveness."

Confindustria's tough stand and withdrawal from the scala mobile accord, which will not become effective until the end of the year, is partly a tactical move to put pressure on the Government for the one concession which could lead to a resumption of pay bargaining.

This would be a progressive and "bankable" reduction in industry's burden of social welfare payments, which is much higher in Italy than elsewhere in Europe.

The unions will urge the Government to support the passage of Communist Party-sponsored legislation which would legally bind Confindustria into the scala mobile until the end of 1991.

CONTENTS

Fujimori's hope may lie in disaster bridging the divide

President-elect Alberto Fujimori inherits a multitude of problems when he takes office in July. Peru is one of the poorest countries in the world with hyper-inflation and a well-rooted Maoist guerrilla insurgency. Page 4

MARKETS

STERLING
New York: $1.722 (1.715)
London: $1.7205 (1.7135)
DM2.8725 (2.8725)
FFr9.66 (9.655)
SFr2.4225 (2.4275)
Y264.25 (263.25)
£ index 90.4 (same)

GOLD
New York: Comex Aug $351.6 (352.0)
London: $347.75 (349.25)

N SEA OIL (Argus)
Brent 15-day Aug $15.775 (16.025)

Chief price changes yesterday: Page 21

DOLLAR
New York: DM1.67105 (1.67425)
FFr5.6185 (5.6315)
SFr1.409 (1.4155)
Y153.555 (153.6)
London: DM1.67 (1.676)
FFr5.615 (5.635)
SFr1.408 (1.4165)
Y153.55 (153.7)
$ index 67.3 (67.6)
Tokyo close: Y153.72

US closing rates
Fed Funds $8\frac{3}{16}$% (8)
3-mo Treasury Bills: yield: 7.983% (7.902)
Long Bond: $102\frac{13}{16}$ ($103\frac{1}{8}$)
yield: 8.483% (8.455)

STOCK INDICES
FT-SE 100: 2,369.7 (−0.8)
FT Ordinary: 1,907.4 (−4.5)
FT-A All-Share: 1,168.35 (−0.1%)
New York close: DJ Ind. Av. 2,893.56 (+11.38)
S&P Comp 356.84 (−0.04)
Tokyo: Nikkei 32,040.38 (−336.42)

LONDON MONEY
3-month interbank: closing $14\frac{23}{32}$% (same)
Liffe long gilt future: Sep $84\frac{3}{4}$ ($84\frac{1}{16}$)

EUROPEAN NEWS

Major test seen for Yugoslav economic plan

By Anatole Kaletsky

THE MAIN test of Yugoslavia's economic stabilisation programme, which has been widely praised for saving the country from hyperinflation, will begin only next month, according to the Organisation for Economic Co-operation and Development.

The prospects for success remain uncertain, since bold macroeconomic measures imposed by the Government of Mr Ante Markovic last December have not been matched by structural reforms at the local government, enterprise and financial market levels.

In its survey of the Yugoslav economy published today, the OECD praises the Markovic measures, which have been strongly backed by the IMF and the World Bank, for cutting inflation from an annual rate of 28,000 per cent at the end of 1989 to less than 4 per cent a month.

While the officially stated aim of bringing year-on-year inflation down to only 13 per cent by the end of 1990 may not be feasible for purely arithmetical reasons, the OECD commends the Government's success in altering inflationary behaviour and generating confidence in the new dinar. A key indicator of this success has been the rise in Yugoslavia's foreign exchange reserves, which have increased by \$1bn to \$7.5bn, instead of falling as initially expected.

The OECD warns, however, that "the main test for success or failure will come only after the ending of the current wage freeze and exchange rate guarantee", both of which are due to expire on June 30. The survey suggests that "some form of wage-price surveillance should be maintained" after the end of the wage freeze period, although this should not take the form of full wage controls. The Government must also maintain its restrictive monetary controls.

Sticking to the hard-currency policy which has kept the dinar fixed against the D-Mark since last December would also be highly desirable.

Despite success on the inflation and monetary front, however, the prospects for the production, labour markets and the financial system remain problematic, according to the OECD. Industrial output in the first quarter was 7 per cent below its year earlier level, while retail sales volumes slumped by 27 per cent. Unemployment had already risen to 11 per cent by the end of 1989 and is expected to rise much higher. GNP is expected to shrink "considerably more" than the official projection of a 2 per cent decline, according to the survey.

In the longer term, the Yugoslav adjustment programme could still founder because of the lack of progress on crucial structural issues. These include:

- reform of the banking system, which is still effectively controlled by client enterprises, leading to serious misallocation of resources;
- the absence of clear ownership rights in "socialised enterprises", which has deterred foreign investment and domestic saving;
- an inappropriate fiscal structure and weak constitutional power of the federal authorities;
- the workers' self-management system which biases enterprise decision-making against investment and in favour of inflationary pay increases.

Companies may be forced to face environmental facts

By David Thomas, Resources Editor

COMPANIES throughout the European Community could be obliged to carry out environmental audits from 1992 under a directive being prepared by the European Commission.

Environmental audits are systematic examinations of the environmental effects of a company's operations, including all its emissions to air, land and water, and the impact of the business on the local community.

These scrutinies are more common in the US than in Europe, but the Commission is determined to give them a significant boost in order to encourage the spread of best environmental practice throughout Europe.

Mr Goffredo del Bino, the senior official charged with drawing up the directive, said he hoped it would be ready by mid-1991 and come into effect a year later. "It will cover in a very *complete* way *the impact* of a plant on the environment. What is important is to have a total environmental view of a plant," he said.

The Commission has already held preliminary discussions about environmental auditing with representatives of some industrial sectors, notably chemicals.

The precise contents of the directive have yet to be settled, but Mr del Bino said that one possibility was to enact a *framework law requiring com*panies in all EC countries to carry out environmental audits, but leaving much of the detail to each member state.

The Commission is also considering how to specify a size limit below which companies would be exempt from the auditing requirement; whether all industrial sectors should be covered by the legislation; and what information a company would have to make public after completing the audit.

Mr del Bino said the Commission recognised that some parts of the audit would have to remain confidential, but stressed that an audit's broad results would have to be released if it were to serve much point.

The Commission believes that a company audit would need to be updated regularly and carried out afresh every three years or so. It will be a relatively intensive exercise, requiring a small team of people in large companies.

Italian business battles on in troubled Lebanon

Lara Marlowe examines Rome's commercial perseverance against the heaviest of odds

AT a time when every other nation seems to have abandoned Lebanon, the Italian Government is laying a firm foundation for Italy's future political and commercial role here, whenever the country's 15-year-old war comes to an end.

Water works built by Emit (Ercole Marelli Impianti Tecnologici), the computerisation of Lebanese telex and telephone bills by Olivetti and thousands of tonnes of spaghetti consumed by Lebanese school children are but a few examples of Italy's economic presence in Lebanon.

Italian diplomats in Beirut are counting on their country's forthcoming presidency of the EC to call a special conference on the Mediterranean - a third of which will be devoted to the Lebanese crisis.

Mr Giuseppe de Michelis Di Slonghello, Italy's ambassador to Lebanon, continues to disburse what remains of a \$130m credit line reserved by Italy for Lebanon in 1983.

Through a combination of loans and bi-lateral donations, the Italian Government is now financing the construction or repair in Lebanon of two pumping and hydraulic stations, a damn and an aqueduct, three water treatment plants, an urban waste treatment plant and an electrical power station. The total value to Italian companies of these contracts approaches \$70m.

Mr de Michelis estimates that up to 400 Italian businessmen are still working in Lebanon, *independently* of Italian Government efforts. Gie-ansaldo, for example, has been present in Lebanon since it built the country's main power station at Zouk in 1973. The installation's frequent destruction by artillery bombardments has given a new *meaning* to maintenance contracts.

When the Italian Government gave 30 refuse trucks to Lebanon at the beginning of this year, the Fiat company earned \$1.8m. Ten of the trucks were destroyed in the inter-Christian war *between Gen* Michel Aoun and the Phalange militia, but the other 20 are still running.

Similar losses long ago dissuaded the Arab League and western countries from investing in lebanese reconstruction. But Mr de Michelis advocates such projects. "I am very much in favour of taking action now," he says. "The risk is personal, political and economic, but you must continue to be present. If you miss the boat now you will not catch it later."

"Purchases of Italian industrial machinery have declined because there has been so much fighting for the past year and a half," says Mr Antonio Righetti, the councillor for development co-operation at the Italian embassy in Beirut.

"Beirut harbour has been closed most of the time and a lot of industries have shut down. But a lot more Lebanese businessmen are going to Italy to buy. We make it easy for them to get visas. Lebanese people like to take decisions quickly. *When they have to* wait around for a visa to Britain, France or Germany, they come to us. They are buying many millions of dollars worth of Italian clothes, shoes and food products."

While Lebanese businessmen travel to Italy, Lebanese political and *religious* leaders have only to go to the Italian embassy in Beirut to apply for donations for their favourite projects. A file on Mr de Michelis's desk lists 55 projects proposed in the past two years by a uniquely disparate collection of Lebanese leaders.

Ten of the projects - which include medical assistance, housing for refugees, an artisan centre and cattle breeding facilities - have been approved, for a total expenditure of more than \$20m. Mr de Mirhelis attributes the fact that most of the applications accepted so far were on behalf of Maronite Catholic areas to the strength of the Maronite lobby in Italy.

Yet religious differences have not discouraged Moslem *leaders* from *asking* the Italians for assistance. Nabih Berri, the leader of the Amal Shia moslem militia, Walid Jumblatt, the Druze leader, and Sheikh Mohammed Hussein Fadlallah, the pro-Iranian Shia moslem cleric, are but a few of those seeking Italian funding for buses, ambulances, centres for the handicapped and agricultural projects.

"We have a reputation for being willing to help, so everyone asks," says Mr Righetti.

Although Italy is careful to maintain political neutrality in Lebanon, it is preparing to assume a more important role in the Mediterranean region.

Mr de Michelis shows visitors an aide-memoire from the Italian foreign ministry which suggests that 25 per cent of European development aid be set aside for the Mediterranean basin. Mr de Michelis would like to see a large portion of that money go to Lebanon.

During its Presidency of the EC, Italy will propose a "mediterranean Helsinki conference" comparable to the conference *on security and co-operation* in Europe (CSCE) to study the Arab Israeli conflict, the war in Lebanon and the partitioning of Cyprus.

Doubts raised over EC help for Mediterranean

By David Buchan in Luxembourg

AMBITIOUS PLANS by the European Commission to spend more than Ecu3bn (£2.16bn) to stop Mediterranean countries falling economically further behind their European neighbours yesterday received a mixed reception from EC ministers.

Mr Abel Matutes, the Commissioner in charge of Mediterranean policy, said the Community needed to balance its largesse to eastern Europe by helping its southern neighbours meet their special problems which, if unresolved, could flood the EC with illegal immigrants.

He revealed that Brussels had plans to increase spending in 1992-96 to Ecu420m to promote economic co-operation, environmental protection, training, and joint venture promotion in the Mediterranean basin, and to put Ecu1.4bn of its own money, and a matching amount in European Investment Bank *loans*, into eight countries in the Maghreb and along the eastern Mediterranean shore.

Virtually all EC ministers agreed the Mediterranean deserved more, but Britain stressed caution, noting that Mediterranean states last year had only been able to take up half the EC loans on offer.

Along with the Dutch, Danes and Germans (northerners with few products competing with those from the Mediterranean), the UK emphasised trade concessions to *help* southern neighbours "boost their earnings". Portugal expressed fear for its textile industry which accounts for more than a quarter of its total exports.

Bulgarian election 'fair'

By Ralph Atkins

BRITISH politicians who observed the Bulgarian elections over the past two weekends expressed general satisfaction yesterday with the process despite reports of irregularities and allegations of intimidation. The five MPs and one Lord said the conduct of the vote had given legitimacy to the newly-elected National Assembly. The contest was won by the Bulgarian Socialist Party, *formerly* the country's Communist party.

Lord Tordoff, Liberal Democrat, said Bulgaria's electoral commission had shown "a clear willingness all the way through the process to handle complaints and respond in any way they possibly could."

Greece to lift curbs on capital over next year

By Kerin Hope in Athens

GREECE PLANS to lift restrictions on capital outflow over the next 12 months so that Greeks can export drachmas freely to buy property and securities abroad, the Economy Ministry said yesterday.

The move, which becomes fully effective on July 1, 1991, is not expected to trigger large-scale transfers of Greek funds abroad, although bankers admit that they are expecting an initial drain of capital.

"We anticipate a short-lived *shock effect,* but that should quickly be offset by more inflows in the medium- and long-term and an overall growth of confidence in the drachma," said a senior Bank of Greece official.

Greece should have complied last December with a European Community directive freeing outward movement of capital, but sought an extension because of a widening current account deficit – \$2.57bn last year.

The deficit soared to \$2.52bn in the first four months of 1990, with foreign exchange earnings being held abroad amid fears of a devaluation. However, unofficial figures show the deficit shrank to around \$200m in May. The central bank predicts this year's shortfall will be below \$3bn as a result of increased EC transfers, tourism earnings and investment inflows.

The Government proposes to lift controls in several stages. The first, in September, will raise travel allowances for tourists from Ecu1,000 (£720) to Ecu1,200 (£864) per trip.

The ceiling for Greek purchases of securities issued by the Community and the European Investment Bank will be increased from Ecu50m (£36m) to Ecu75m (£54m) for 1990, while Athens-based mutual funds will be permitted to invest 25 per cent of their holdings abroad.

Both the travel allowances and investment limits are to be raised again in March *before all restrictions* are abolished next June.

EUROPEAN NEWS

Japanese business rated most competitive

By William Dullforce in Geneva

JAPAN'S business environment continues to be by far the most competitive of any country, according to the 1990 world competitiveness report published by the International Institute for Management Development and the World Economic Forum.

The report assesses 326 criteria, broken down into 10 factors, to arrive at its scoreboard. Japan comes top for the dynamism of its economy, its industrial efficiency, its financial dynamism, its international orientation and its technological preparations for the future.

Some way behind come Switzerland, the US and Germany. Switzerland scores for its socio-political stability and the attitude of the state, which indicates that the chosen criteria reward highly the lack of state interference and even a government's slowness to respond to economic developments.

The US trump cards are human resources and the dynamics of the domestic market. Germany ranks top in none of the 10 factors but displays all-round strength, apart from low scores for its human and natural resources.

However, Germany comes out first in the business confidence scoreboard, based on business executives' perceptions of the competitive strengths and weaknesses of the 34 countries judged in the 330-page report.

Canada, in fifth place, is followed by a tightly packed cluster of eight countries, including the UK in 12th place. After France, 14th, the decline in competitiveness is more rapid.

The UK's best score is for its international orientation, a factor assessing the openness of an economy to the rest of the world, in which it comes third after Japan and Germany. But the UK obtains mediocre ratings for human resources, which include the education system, its socio-political stability and its technological preparation.

Ten newly industrialised economies are ranked separately. Singapore, with top ratings for five of the 10 factors, has a lead which is even more impressive than that of Japan among the OECD countries.

Taiwan and Hong Kong make a close race for second place; Korea, Malaysia and Thailand in that order form a middle-ranking bunch, after which there is a sharp fall in competitiveness to Mexico, Indonesia, Brazil and India at the bottom.

Hungary is included in the report for the first time as a precursor of the proposed expansion to cover the countries of eastern Europe. Mr Thomas Rauschenback, a member of the WEF board, writing a personal preview, lists as factors in Hungary's favour its ability to attract foreign direct investment and joint ventures, the reform of its financial sector and "a certain tradition of entrepreneurship."

However, he rates East Germany as the frontrunner, expecting its competitiveness to benefit from a huge transfer of resources from the West German business community.

Alcatel in $2.8bn deal with Moscow

By William Dawkins in Paris

THE SOVIET UNION is to buy an estimated Ecu2.3bn ($2.8bn) of digital telephone lines over the next 20 years from a joint venture with Alcatel Bell, the Belgian subsidiary of Europe's largest telecommunications equipment supplier.

This is the first big Western breakthrough into the Soviet telecommunications market since Western allies agreed earlier this month on a sweeping liberalisation of technology sales to the east, and the first Soviet-based joint venture in digital switching equipment.

The reform, by the Co-ordinating Committee for Multilateral Export Controls (CoCom) has opened the way for increased western supplies of computers, machine tools and telecommunications, needed to build modern economies.

Separately, Alcatel Bell has entered a co-operation agreement with the Soviet authorities, under which it would later join a second joint venture to make VLSI chips that form the heart of System 12 switches.

The accords, which are within CoCom's new rules and represent the fruit of more than a year's negotiations, would allow the Soviet Union to set in place the foundations of an independent modern telecommunications industry.

Christened LenBell Telephone, the digital switching equipment venture will have Ecu50m of capital, 60 per cent held by the Leningrad-based industrial association, Krasnaya Zarya, with the remaining 40 per cent held by the Belgian company.

The venture, to be based in Leningrad, aims to take five years to reach full production of 1.5m System 12 digital telephone lines, destined for the Soviet public telephone networks, which currently use outdated analog lines.

The Soviet Ministry of Communications has already agreed to buy 250,000 lines within two years. LenBell Telephone is also planning to produce 100,000 digital 5400 BCN PABX lines annually as well as digital exchanges for private switchboards.

The joint venture will be entitled to make payments and hand out dividends and royalties in foreign currency, a provision which is understood to come in response to the problems experienced by other Western joint venture partners in extracting hard cash from the Soviet Union.

Alcatel, 63 per cent owned by Compagnie Générale d'Electricité, the French electronics and engineering group, is among the first western European companies to exploit the east's need for modern telecommunications.

Soviet jet hijacked

By Enrique Tessieri in Helsinki

A YOUNG SOVIET hijacker was yesterday seeking asylum in Finland after forcing a Soviet airliner carrying 55 passengers to land in Helsinki and surrendering himself to police.

The Aeroflot Tupolev 134 airliner was hijacked en route from Riga, the Latvian capital, to the northern city of Murmansk in the Soviet Arctic.

The 20-year-old hijacker gave himself up an hour after the Soviet aircraft landed in Helsinki-Vantaa Airport yesterday morning. The Interior Ministry said that the hijacker had planned to fly to the US via Stockholm.

The hijacker's appeal for asylum was being considered.

Finland and the Soviet authorities have an agreement dating from 1974 under which they undertake to return hijackers to their country of origin.

On the last occasion when a Soviet airliner was hijacked to Helsinki, in 1978, the hijackers were returned to the Soviet Union.

Poland recalls envoys

POLAND has recalled 38 ambassadors as part of a radical overhaul of its embassies, the Government said yesterday, Reuter reports from Warsaw.

A report in the Solidarity newspaper Gazeta Wyborcza said 20 ambassadors had already returned to Poland and the rest were winding up their postings.

The newspaper reported that a government commission was reviewing all employees of Polish embassies and consulates, about 1,000. A third were expected to be recalled.

A deputy government spokesman, Mr Henryk Wozniakowski, said embassy staff were often career party officials who were not specialised in foreign affairs. "The idea is to make the ministry really professional and free from all those old political burdens."

Gazeta Wyborcza said some of those recalled would be replaced by new envoys appointed by competition, and some posts would be cut.

It also said the defence ministry intended to dismiss about 6,000 officers beginning with those aged over 60.

Spanish bank cuts lending rate

By Peter Bruce in Madrid

BANCO SANTANDER, one of Spain's biggest commercial banks, yesterday cut its prime lending rate by half a point to 12.5 per cent in a move which could presage a general softening of interest rates in Spain.

The move follows growing signs, including zero inflation in May, that the Government is winning its battle to cool down the economy. It may also signal the end of a bitter struggle between Spanish banks in the last nine months to attract customers through the use of high interest current accounts.

Economists have been predicting that as the Government makes progress in its fight against inflation, interest rates would have to fall.

Strong inflows of short-term capital attracted to Spain because of the wide interest rate differentials it maintains with its main trading partners, France and West Germany, have also been making it difficult to control money supply growth.

The government, though, may want to see inflation slowing over three or four months before easing the cost of money.

Spain and the ERM one year on, Page 26

Mitterrand favours stronger powers for Euro-parliament

By Ian Davidson in Paris

NEGOTIATIONS on a projected treaty on political union in Europe, which are due to be launched at next Monday's EC summit in Dublin, should include strengthening the powers of the European Parliament, and possibly the creation of a second chamber, President François Mitterrand said yesterday.

In a wide-ranging interview in Le Monde newspaper, the French President said he favoured a second parliamentary chamber in principle, as a way of linking national parliaments more closely with the Community enterprise, but had not finally made up his mind.

Mr Mitterrand said he would be raising at the summit the question of possible financial, commercial and technical help by the west to the Soviet Union.

He underlined his support for the reform efforts of President Mikhail Gorbachev, and the need to avoid any western action which could appear threatening to the Soviet Union. But he also insisted that Nato had to be maintained, with the unified Germany as a member. "It will be good to adjust its strictly military content, which gives it the appearance, to my mind outdated, of bloc against bloc".

The alliance should open itself to all the political security problems relating to the European balance; but it should stick to its treaty-bound geographical area, and France would stick to its special status (outside the integrated military structures of Nato).

He hoped that Europe would one day take care of its own security, but that would not be feasible soon. In the meantime, Europe's security had been conceived in the framework of Nato as a means of defence against the Soviet Union and the Warsaw Pact.

"At present the facts have not substantially changed, if one considers the balance of military forces," he said, "so let us take first things first; let us finish the negotiation with the Soviets on conventional disarmament."

On South Africa, President Mitterrand expressed his respect for President F.W. de Klerk and for the lifting of the state of emergency. But he said that the moment had not yet arrived for lifting economic sanctions since they had been imposed against apartheid, and apartheid was continuing.

Lithuania puts Moscow offer on agenda

THE LITHUANIAN parliament may start discussing Moscow's offer of a compromise over its independence bid next Tuesday after putting off the debate by a week, a parliamentary spokesman said yesterday, writes Leyla Boulton in Moscow.

However, Lithuania's pro-independence movement, Sajudis, has come out against a deal with Moscow. "We do not want a return to the past," a spokeswoman said.

Mr Harold Subacius, a parliamentary spokesman, said that the debate, which had been due to start yesterday, was postponed because key republican leaders were too busy to present the proposal to parliament.

President Vytautas Landsbergis said that parliamentary committees had to study the proposal carefully. The proposal is for a moratorium on the independence declaration for the duration of secession talks.

He also suggested that a public opinion survey be held on the matter, according to Moscow Radio's unofficial news agency Interfax.

The parliament of neighbouring Latvia, which wants independence through a step-by-step approach, has also postponed discussing an offer from Moscow, but set no date for a debate.

German unity target

Chancellor Helmut Kohl and his coalition partners want German unification immediately after the polls close in all-German elections in December, coalition sources told Reuter in Bonn. Likely polling dates are December 2 or 9.

Brussels overcomes more hurdles on road to 1992

By Lucy Kellaway in Brussels

HEART pacemakers will soon be able to cross frontiers safely following a set of agreements by European Community ministers expected at today's Single Market council meeting.

Agreement on this and up to 15 other worthy measures ranging from the safety of hydraulic lifts to pensioners' rights of residence, are likely to be reached at the Luxembourg meeting.

The number of proposals shows that the pressure of work in the back offices is being maintained towards the 1992 deadline. It also shows that the Irish Presidency is anxious to achieve as much as possible before handing over to Italy at the end of the month.

Most of the measures remaining to be agreed to complete the 1992 programme are fairly technical, as today's agenda suggests. The bigger measures have mostly been adopted or syphoned off to specialist council meetings to deal with.

Ministers will adopt three new directives setting safety standards for medical equipment and other specialised machinery and will agree to modify three existing ones. They are also likely to agree on a common approach to testing goods to make sure they meet new EC safety directives. This measure is seen as important as there is little point in agreeing minimum safety standards for a product if everyone carries out tests differently.

Progress should also be made on insurance, with ministers likely to agree a directive which will make it easier to sell certain kinds of motor insurance across borders. A more important insurance measure, which allows individuals to buy life insurance anywhere in the Community and which was agreed in principle in December, will be rubber-stamped today.

Directives that would allow pensioners, students and others without employment to live where they like in the Community are likely to be adopted after more than 10 years' discussion. The directive would allow them to settle anywhere as long as they can prove they can support themselves.

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

WORLD TRADE NEWS

US court halts shipments of Motorola chip

By Louise Kehoe in San Francisco

A US court has halted shipments of Motorola's flagship microprocessor product, a chip that is a critical component of many computers, including some of Apple Computer's personal machines and work-stations from several makers including Hewlett-Packard.

An Austin, Texas, federal judge signed an order yesterday enjoining Motorola from making further shipments of the chip. The decision stems from a long-running patent dispute between Motorola and Hitachi of Japan, with each company accusing the other of patent infringement.

In a ruling in April, the judge said both companies had infringed the other's patents and ordered them to halt shipments of the infringing products. He lifted the ban pending arguments from both sides, but now appears ready to reinstate the order.

Motorola said it will file an emergency appeal and is confident the decision will be stayed, allowing it to continue to supply the disputed chip to its customers. Unless Motorola can persuade an appeal court to rescind the order, some 70 computer companies that depend on Motorola for supplies of the 68030 microprocessor may be affected.

Motorola's semiconductor sales would be drastically hit. The 68030 is one of the company's most important semiconductor products in the highly competitive microprocessor market.

Hewlett-Packard (HP), which announced a new range of computer work-stations based on Motorola microprocessors on Monday, claimed it has a contingency plan which it believes will allow it to continue to obtain supplies of 68030s from Motorola.

A previous patent cross-licensing agreement between Hitachi and HP covers the disputed technology, an HP spokesman said. The company would assign that right to Motorola to prevent any interruption of supplies, but any such arrangement would require court approval, which appears uncertain.

Apple Computer, which uses the 68030 in all its high-performance personal computers, noted Motorola remains confident it will be able to provide an uninterrupted supply of chips. "We do not think this will have a material effect on Apple," a spokesman said.

In a submission before the decision, Apple claimed the order could have dire consequences, halting its production of its highest-performance computers.

Motorola said: "We are dismayed that Judge Bunton made this decision, knowing full well the two parties have been engaged in earnest attempts to settle this matter."

Olivetti in telecoms battle

OLIVETTI, the Italian computers and office equipment group, is to lead the second private-sector consortium planning to compete in Italy's mobile telecommunications market, following formation two months ago of a group between Fiat, Finninvest and Racal Telecom of the UK, Haig Simonian reports from Milan.

Both the private-sector alliances plan to challenge Societa Italiana per l'Esercizio delle Telecommunicazioni (SIP), the public-sector telephone operator, once EC legislation is passed breaking SIP's monopoly on telephone services.

Omnitel-Sistemi Radiocellulari Italiana, the consortium in which Olivetti will have a majority stake, includes Televerket, the Swedish telecoms operating company, Bell Atlantic International of the US, Cellular Communications, a leading US operator of radio cellular phones, and the Shearson Lehman Hutton group.

The consortium plans to spend over L1,500bn (£715m) on its initial investment budget. Olivetti will appoint the chairman and managing director, and provide information technology and sales network. The other partners will bring expertise in cellular phone technology, Olivetti said.

Soviet payments held back, say Turks

By Jim Bodgener in Ankara

COMPLAINTS by Turkish exporters of delayed payments totalling between \$60m (£35.5m) and \$100m are threatening to sour burgeoning trade between Turkey and the Soviet Union, following a mid-1980s natural gas-for-goods arrangement.

It appears Turkish companies most at risk are those which venture outside the agreement covering Turkish export credits valued at a total \$300m. Turkish companies seeking to expand market shares have been forced to move outside the constraints of the agreement and the credits, largely exhausted in 1989.

Turkish officials say signing is imminent of a \$350m line of project credit, backing the award of industrial contracts to Turkish contractors, but this has been under discussion since last year.

Turkish officials involved in the gas deal say outstanding payments cannot be as large as \$100m. But companies have reported difficulties in payments involving cash against documents, where 15-day terms are extended arbitrarily by up to six months by Soviet foreign trade companies.

Since 1988, Turkey has exceeded its commitments to import natural gas from the Soviet Union. This year's purchases will amount to around \$300m for about 3.5bn cu metres, imported through a pipeline completed in 1987 from the Bulgarian border to Ankara.

Work is going ahead to convert and expand existing natural gas distribution networks in Turkish cities, while several tender competitions are under way in others, such as Bursa, for designing and installing new networks to take the gas.

Most exposed are companies supplying bulk chemicals, which were forced to keep their market share by deals involving cash against documents when export credits ran out. Enthusiasm over changes in eastern Europe has been followed by a view among Turkish traders that the eastern bloc lacks the financial resources to replace stagnant Middle East markets, especially Iraq and Iran.

Gatt bid to simplify tariff charges agreed

By William Dullforce in Geneva

A SIGNIFICANT simplification of the world trading system was agreed yesterday in the Uruguay Round trade talks. From now on, the plethora of extra charges levied by many governments on imports will be recorded in the tariff schedules that each country has to publish under the General Agreement on Tariffs and Trade (Gatt).

Moreover, as with their regular tariffs or customs duties, countries will be expected to "bind" the extra charges, undertaking not to raise them above the levels prevailing at the end of the Round in December. Governments will not be able to return to the higher charges they may have imposed at the time they first bound their tariffs – in some cases, as far back as 1948.

The provisional agreement will make life easier for exporters, especially those doing business with developing countries. It is provisional in that it depends on the whole package of results from the Round being accepted by trade ministers in Brussels in December.

At present, many governments apply a multiplicity of surcharges, port taxes, stamp duties, revenue charges and taxes, to finance developmental projects on imports, in addition to the straight tariffs. In some cases, these extra charges are bigger than the tariffs themselves and are not always immediately apparent to new exporters to a market.

In future, the extra charges will be listed alongside the regular tariffs in Gatt's loose-leaf schedules which are available to all exporters, making the barriers facing their products at borders more easily identified and more predictable.

Charges not covered by the agreement include anti-dumping and countervailing duties, which have in any case to be published under Gatt rules; some charges regarded as internal taxes; and so-called user fees.

The new agreement is also highly relevant to the negotiations on new reciprocal tariff reductions that Gatt's 97 members are currently conducting under the Uruguay Round, in which the target is a further 30 per cent overall cut in tariff levels. Countries will now have to show the real extent of the charges imposed on imports.

In a separate move, the US and Canada renewed efforts to modify developing countries' rights under Gatt to impose trade restrictions when they run into balance-of-payments (BOP) difficulties or seek to promote their economic development.

Arguing that trade measures offer an inefficient means of restoring a country's payments balance and that open trade is more conducive to development, the industrialised nations have been insisting that the current protection allowed should be reduced, at least for countries which have reached a certain level of development. Strong opposition has come from a majority of developing countries.

In March, the European Community called for a substantial tightening of the Gatt rules governing BOP protection. The joint US-Canadian paper offers some compromises.

Their proposal would severely limit the extent industrialised nations could use trade restrictions for BOP purposes; they would have to demonstrate a *critical* BOP situation, the absence of alternative measures, and limit restrictions to a period of months.

Developing countries would be expected to use mainly price-based restrictions uniformly applied to all imports and, except for the poorest nations, limited to a given number of years.

They would be allowed to resort to quantitative restrictions, such as import quotas, only when they could show a critical and rapid deterioration in their BOPs, and when price-based measures would not meet the situation.

Within four months of imposing its BOP restrictions a country would have to table a schedule for doing away with them. Restrictions would be reviewed every year for developed countries and every two years for developing countries.

Japan must end 'foot-dragging' says Hills

MRS Carla Hills, US Trade Representative, has urged Japan to end "foot-dragging" in talks on the final shape of an agreement to open its market to foreign imports, Nancy Dunne reports from Washington.

"Let no one think we are going to be mollified by mere promises of progress," she said, in a tough address to The Japan Society in New York. "The American people will not be satisfied until all American businesses can offer their goods and services in Japan in free and open competition."

As a settlement in the US Structural Impediments Initiative (SII), Japan in April agreed to improve enforcement of its anti-monopoly law; increase imports by raising spending on public infrastructure; liberalise retail store law and reduce barriers to foreign investment.

The final SII report is due next month, but Japanese negotiators have been resisting US demands for specifics and its insistence on continuing monitoring.

Mrs Hills said Japan must augment its commitments with detailed plans, and specify amounts for infrastructure and action schedules. She urged Japan to make market opening agreements on digital computers and telecoms services.

ECGD delays new export charges

By Peter Montagnon, World Trade Editor

BRITAIN's Export Credits Guarantee Department is delaying introduction of new premium charges for capital goods exports following representations by exporters worried higher charges would make them uncompetitive.

Exporters were told earlier this year that the new charges, which would substantially increase the cost of cover for some more difficult markets, would be introduced this month.

But Mr John Redwood, corporate affairs minister, told Parliament yesterday the Government had received many representations from both Parliament and the exporting community, and would consider these carefully before the new premium charges were introduced.

His written statement gave no date when the new premiums would come into effect. ECGD officials say they still expect to introduce the new system later this year and that there is no significance to the delay.

The system is based on a complex formula designed to match premium charges more closely to the risks covered. But it ran into opposition from exporters who argued higher premiums would disadvantage them compared with their counterparts abroad. ECGD's premiums are already high by international standards.

The Government has already said it would accompany introduction of the new rates with an international campaign to persuade other countries to raise their own charges. Last month, Mr Nicholas Ridley, Trade and Industry Secretary, expressed his concern that the general level of rate charges by other countries was so low as to make break-even unlikely. International trade rules required that export credit agencies be run on a break-even basis, he added.

US to ease trade curbs on NZ

By Dai Hayward in Wellington

THE US is to ease trade restrictions imposed on New Zealand in 1985 in retaliation for NZ's anti-nuclear policies which have kept US and British nuclear warships out of NZ ports.

Reinstatement of the "injury test" for NZ imports to the US will give NZ better access to American markets and reduce the chance of tariffs being imposed on particular products on the grounds they are "unfair" to US producers.

Mr Mike Moore, New Zealand's Trade Minister, sought the removal of the trade obstacle when he met Mr James Baker, US Secretary of State, last March. It was the first formal, high-ranking contact between the NZ and US Governments since the anti-nuclear row blew up after the Labor government took office.

Mr Moore believes the softer attitude will be worth millions of dollars to New Zealand's trade.

A letter now being sent formally to Mr Moore is understood to specify that the "injury test" will be reinstated on September 30. It will mean that countervailing tariffs will no longer be imposed on NZ imports to the US.

Mr Geoffrey Palmer, New Zealand's Prime Minister, said this week there was greater understanding in the US and other countries of New Zealand's nuclear position. Other countries had not realised how broadly and thoroughly the anti-nuclear policy was supported there.

US and Taiwan in beef compromise

TAIWAN and the US have compromised on import tariffs for US beef after 13 hours' talks in Taipei, Peter Wickenden reports. Import duties on ox shin/shank and brisket will be raised to NT\$30 a kilogram from NT\$23.8, until July 1993.

Taipei argued that excessive imports of low-grade beef were damaging the domestic industry. The US said shin/shank and brisket should be classified as high-grade beef and taxed at a lower rate.

In return, Taiwan agreed to cut tariffs on high-grade beef from NT\$23.8 a kilogram to NT\$20, effective August 1 until January 31, 1995. The tariff on two categories of processed beef products was cut from 40 to 30 per cent.

UK-S Africa trade

UK-South Africa trade continues to flourish despite sanctions, with South African exports to Britain 43 per cent up in the first quarter of 1990, Philip Gawith reports from Johannesburg.

UK exports to South Africa in the same period rose 14 per cent, a bigger market share since total South African exports fell compared with 1989. UK figures show South African exports to Britain in the first quarter of 1990 were worth £270.5m (£188.6m in the same quarter last year).

AMERICAN NEWS

Battle to meet Meech Lake deadline

By Bernard Simon in Toronto

SENIOR Canadian cabinet ministers and constitutional experts were yesterday searching for some way to pull the controversial Meech Lake accord off the rocks it has hit in the province of Manitoba.

Despite unrelenting opposition from aboriginal leaders and the reluctance of the Manitoba government to bend legislative rules, a federal official said Ottawa remained optimistic the accord could be ratified before it expires on Saturday.

But after an abortive attempt on Monday to persuade native leaders to drop their stalling tactics in the Manitoba legislature, Mr Brian Mulroney, the Canadian Prime Minister, is rapidly running out of time and options to secure passage of the constitutional reforms.

Pre-occupation with events in Manitoba has taken the spotlight away from Quebec separatists who are generally seen as having the most to gain from the accord's collapse. But in general the traditional Canadian spirit of compromise has given way in recent weeks to a more confrontational approach among almost all the parties to the saga.

The accord, which would bring Quebec into the Canadian constitution in exchange for recognising its "distinct identity," needs to be ratified by all 10 provinces to take effect. Premiers of three dissident provinces – Manitoba, New Brunswick and Newfoundland – agreed after a marathon bargaining session earlier this month in Ottawa to strive to meet the June 23 deadline.

New Brunswick approved the accord late last week, and Newfoundland has scheduled a free vote in the legislature for either tomorrow or Friday.

Mr Gary Filmon, the Manitoba premier, promised to hold public hearings before a vote in his legislature, but these hearings have been blocked by the lone aboriginal member. In a further stalling tactic, about 3,000 people – mostly natives – have asked to give evidence at the hearings.

In one unusual precautionary measure which may help smooth last-minute passage of the accord, the federal government has cancelled a scheduled adjournment of the House of Commons this week, which was planned to allow opposition Liberal MPs to attend a convention in Calgary to pick a new party leader.

A parliamentary vote would be needed to extend the Meech Lake deadline beyond Saturday, but such a move would also require the concurrence of the eight provinces which have ratified the agreement.

Budget chief in warning on \$80bn spending cuts

By Peter Riddell, US Editor, in Washington

ACROSS-the-board spending cuts of \$80bn (£47.33bn) will have to be introduced in October unless a budget package is agreed and approved by Congress before then, Mr Richard Darman, budget director, has warned.

Mr Darman's new estimate of the size of spending cuts, known as sequestration and required under the Gramm-Rudman deficit reduction law, is intended to increase pressure for an early deal, preferably in outline before July 4.

Both sides will this week move from briefings to full negotiations, primarily to see whether a package can be agreed. There is no sign of movement to accept controversial revenue-raising proposals or cuts in welfare entitlement programmes. Democratic leaders are still insisting the Administration makes the first move.

A broadly-based energy consumption tax or environmental levy have been suggested. These might be more acceptable politically than any change in the income tax system or other indirect taxes.

An early agreement is needed partly because Congress must vote on an increase in the ceiling on Treasury borrowing before the start of its August recess, while if decisions are delayed until September members of Congress may be reluctant to approve spending and tax measures so close to November mid-term elections.

Both Congressional leaders and the Administration reject sequestration. Mr Darman has said the action needed was so large "it cannot be managed by tinkering with economic or technical assumptions."

House starts fall 1.4%

Construction of new homes dropped for the fourth consecutive month in May to the lowest levels since 1982, the Commerce Department said yesterday, Reuter reports from Washington.

The 1.4 per cent decline last month followed drops of 6.4 per cent in April and 12.2 per cent in March.

Fujimori's hope may lie in disaster bridging the divide

Robert Graham on the Peru awaiting its president

RARELY has a presidential election result been greeted with such little enthusiasm as that of Mr Alberto Fujimori in Peru. Even his most fervent supporters seem cowed by the sheer scale of the problems this untried politician will face when he takes office on July 28, his 52nd birthday.

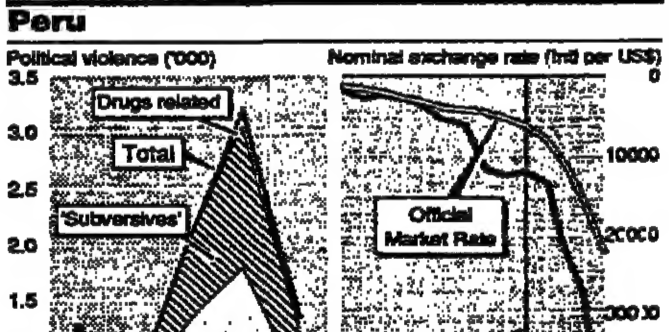
He inherits a Peru which has become one of the world's 25 poorest nations, a hyper-inflation only outstripped in Latin America by Nicaragua, an increasingly pervasive illicit drugs trade and a well-rooted Maoist guerrilla insurgency that has spread violence from the southern Andean highlands to the capital Lima. He himself has few illusions about what can be achieved: "I do not expect to solve all the problems in the next five years," he says, "but I do hope to be able to lay the base for a strong Peru."

Mr Fujimori's victory has raised expectations only to the extent that Peru's vast underclass now feel they are represented by one of their own rather than the traditional hispanic ruling élite. The low level of expectations should be to his advantage. The wide margin of his victory will also boost his authority. Official results are still pending but unofficially he obtained at least 20 per cent more of the vote than his rival, Mr Mario Vargas Llosa, the novelist candidate of the centre-right alliance Fredemo.

The handicaps, however, are formidable: not least the question of time. Mr Fujimori must flesh out the flimsiest of programmes and find a team virtually from scratch in less than six weeks. During the campaign, he skilfully judged the nation's mood and presented issues in a comprehensible way. But his prescriptions were vague and colleagues say he is only just beginning to concentrate on details. He has none of parliament.

His seven-month old Cambio 90 political movement possesses 32 untried deputies in the 180-member chamber. This compares with Fredemo's 60 and 55 deputies of the ruling party Apra controlled by outgoing President Alan Garcia. Every aspect of legislation will therefore require alliances.

Peru



Source: Ministry of Defence Special Commission

Outside parliament, Cambio 90 has no formal linkage with either the main employers organisations, controlled by big business, or the militant trades unions, controlled by the communistleft. His support has been more "informal" and grass-roots – small businesses, evangelical groups and neighbourhood communities.

Mr Fujimori's plan for government is built round forming a national consensus among the disparate parties. "Initially," he says, "we will not make formal alliances but try to come to pacts on specific issues such as debt, pacification, economic stabilisation and agricultural development."

In combatting subversion, he should find common ground across the political spectrum. Sendero Luminoso (Shining Path), the guerrilla organisation, is itself split between those who wish to negotiate and the hardliners. His main hurdle will be the armed forces, who mistrust any "soft" approach to dealing with terrorism.

Striking a pact on an economic stabilisation programme will require far greater negotiating skills. Politicians and their parties will have to be persuaded to bury bitter personal differences and deep ideological divides.

President Garcia for the past two years has avoided introducing such a programme and is largely responsible for the progressive impoverishment of Peru with an annualised inflation of 2,200 per cent. Mr Vargas Llosa, on the other hand, lost the election in part because he pledged a brutal adjustment and a radical shake-up of the state as the sole means of tackling hyper-inflation and regenerating investor confidence. Mr Fujimori offered a softer, more gradualist approach with fine tuning.

The president-elect's economic thinking is nevertheless much closer to the market principles of Fredemo than of Apra which is by tradition interventionist and nationalistic.

Much depends on whether President Garcia is prepared to make adjustments before he hands over to Mr Fujimori. For instance prices on utilities and a number of basic products need to be raised 320 per cent if they are to recover their 1985 values; the inti-dollar rate is hopelessly out of line. If nothing is done, Mr Fujimori will inherit a near-empty treasury and an even narrower set of options.

Relations with the international financial community are at an all-time low and the solidarity of neighbours such as Argentina has evaporated in the face of unpaid trade bills.

Mr Fujimori seems to be banking on the economic situation being so demonstrably disastrous for it to be in no one's interest not to co-operate.

Journalists launch suit against Atex

By Louise Kehoe in San Francisco

EIGHT US journalists and three of their spouses have filed a \$270m (£159.76m) lawsuit against Atex Publishing Systems, the computer maker, claiming they suffered disabling injuries by using newsroom computer systems.

The suit is the second of its type to be filed this month against Atex.

The suits will test the liability of computer manufacturers toward users who suffer from repetitive strain injury (RSI), which is now said to be the second most common form of occupational injury in the US.

The apparent prevalence of RSI suggests that if the suits are successful computer manufacturers could face huge liability claims.

In the latest suit, the journalists claim Atex, a subsidiary of Eastman Kodak, which produces computer editing systems for use by newspapers and magazines, was negligent in marketing the computers and failed to warn users of the dangers or develop substitute systems.

They are each seeking \$20m in punitive damages and \$10m in compensatory damages. The spouses are claiming \$10m each for loss of companionship.

A lawyer for the journalists said none of the employers was named as a defendant as their liability was limited by state compensation laws.

US prepares hero's welcome for Mandela

By Lionel Barber in Washington

MR NELSON Mandela, deputy president of the African National Congress, opens a 12-day US tour in New York today aimed at raising money, paying tribute to anti-apartheid supporters and maintaining sanctions against the South African Government.

After 27 years in prison, Mr Mandela has become a hero bordering on a cult figure in the US. As South Africa's leading black politician, he can expect to be treated with a deference normally accorded to powerful foreign visitors.

For black Americans his visit will have special resonance. Already there are predictions, perhaps inflated, that the 71-year-old deputy president will enjoy pulling power similar to Dr Martin Luther King, the slain civil rights leader of the 1960s.

As on his recent trip to London, Mr Mandela's eight-city US tour will be an uneasy combination of show business and politics. The ANC leader's hectic schedule – constantly being revised or cut back to preserve his strength – starts with a ticker-tape parade today in New York. It also includes a rock concert in Hollywood, an address to a joint session of Congress and talks next Monday with President George Bush at the White House.

Mr Mandela is expected to urge the Bush Administration to maintain sanctions against South Africa. He is anxious to maintain international pressure on President F.W. de Klerk's Government during negotiations to dismantle apartheid.

The Administration is expected to assure the ANC leader that US sanctions will remain in place, at least until all remaining political prisoners in South Africa are released.

Under the 1986 Comprehensive Anti-Apartheid Act, the president can modify or suspend sanctions – but only if certain conditions are met. These include the release of political prisoners, the lifting of the state of emergency, and the repeal of the Group Areas Act and the Population Act, cornerstones of apartheid.

Both Mr Bush and Mr James Baker, US Secretary of State, have made clear they welcome recent moves by President de Klerk to meet these conditions. But this is an election year and the White House remains unwilling to risk a battle with Congress which could hand a divisive issue to the struggling Democratic Party.

Mr Bush is also anxious to maintain his support among black Americans. This year, private polling at the White House shows black support for Mr Bush running three times higher than for former President Ronald Reagan – an unexpected bonus ahead of the 1992 presidential election.

Stalemate in talks over boat people

By Peter Riddell

BRITAIN has suggested a temporary holding centre for Vietnamese boat people outside the present countries of first asylum in south-east Asia, but not on US territory, as a means of breaking deadlock over the issue.

However, there were no signs of any breakthrough during talks in Washington between Mr Francis Maude, the Foreign Office Minister of State responsible for Hong Kong, and the Bush Administration. The Administration has rejected both involuntary repatriation and a British idea that US facilities on Guam and the Philippines might be used as a temporary holding centre for refugees. Consequently, plans for a non-US centre are being explored.

Mr Maude warned that unless an international meeting in the first half of next month produced clear proposals to deal with the Vietnamese now in Hong Kong, Thailand and elsewhere, all elements of the comprehensive plan of action, involving rights of first asylum and resettlement, might not remain in place.

Meanwhile, in a speech to the European Institute yesterday, Mr Maude, underlined the importance of the current Uruguay Round trade talks. He said next month's summit of the Group of Seven leaders "must give a strong political shove towards a settlement."

greed

Today representatives from more than one hundred countries are meeting in London to discuss the protection of the ozone layer.

ICI supports firm worldwide action. We want to phase out CFCs completely, and as quickly as possible.

To achieve this we must find alternative products.

For we all still rely on CFCs for many of life's essentials, such as the refrigeration of food and of blood for transfusions.

That is why ICI has devoted the skills of many of our best scientists and technologists to the search for alternatives to CFCs. And we're getting results. ICI is now a world leader in this field.

Our 'KLEA' 134a, for example, will replace CFCs in many types of refrigeration. It will be available next year and 'KLEA' will be totally ozone benign.

Replacing CFCs will also reduce the threat of global warming. CFCs contribute 14% to the greenhouse effect. These new alternative products will contribute less than 1%.

Anyone can talk about problems.

At ICI, we discover solutions.

ICI

Advocates of Japanese trade surplus 'condemned'

By Robert Thomson in Tokyo

MR TARO Nakayama, Japan's Foreign Minister, yesterday condemned Japanese officials who have recently argued that the country should maintain a strong current account surplus for the sake of the international economy.

Mr Nakayama said that statements in favour of maintaining the surplus at about 2 per cent of GNP had hurt relations with the US and compromised the preparation of a final report in the Structural Impediments Initiative (SII) bilateral trade talks.

The case for the positive influence of Japan's current account surplus, particularly in funding eastern Europe's development, has been argued by senior Finance Ministry and Economic Planning Agency officials in recent weeks.

Mr James Baker, the US Secretary of State, raised the issue at a meeting with Mr Nakayama in San Francisco last Friday, and insisted that countries with current account deficits have been active in providing financial assistance to developing countries.

Taro Nakayama

Japanese officials have argued internally over the issue, with the Foreign Ministry and Ministry of International Trade and Industry (Miti) calling for a retraction by Finance Ministry officials.

Meanwhile, Japan's Fair Trade Commission said yesterday that a proposal to scrutinise the meetings of the country's corporate families or *keiretsu* is under discussion as a possible concession for the SII final report, due to be completed in coming weeks.

US trade officials have argued that the *keiretsu* are a structural impediment to trade, and have wanted the minutes of their monthly meetings made public. The *keiretsu* are accused of excluding components from outside manufacturers and of generally manipulating markets.

In another SII-related development yesterday, the Finance Ministry and the National Tax Agency indicated that they would introduce a year earlier a new law enabling large retail stores to sell alcohol.

Study urges review of land tax

By Stefan Wagstyl

JAPAN should undertake a comprehensive review of land tax policy, including a study of raising taxes on land owners, according to a report published yesterday by the Government's National Land Agency.

The report urged the government to act quickly to prevent further increases in land prices, particularly in rural areas where price increases have so far lagged behind the cities.

However, the study, the National Land Agency's first white paper, drew immediate fire from critics who said it had failed to make any firm proposals.

Nihon Keizai Shimbun, the business daily, said the white paper was vague and lacked focus. Its conspicuous feature was the amount of detailed information it contained, said the newspaper.

The study said that in the 35 years to the end of the financial year in March 1990, Japanese land prices had risen 128 times, compared with a five-fold increase in consumer prices and a 21-fold rise in wages.

Land prices were driven up by the desire of companies and individuals to buy property in the big cities, especially Tokyo and Osaka. Supplies were constrained because land was attractive as an investment asset because there were no effective taxes on capital gains from land.

France may cancel more African debt

By George Graham in Paris

FRANCE IS coming under mounting pressure from its African partners to make a significant effort to cancel the debt of middle income African countries at the Franco-African summit meeting which opens today in La Baule, in western France.

After cancelling the debt of 35 low income countries at the last such summit, in Casablanca two years ago, France is now edging towards making a similar gesture to middle income countries such as Ivory Coast or Cameroon.

President François Mitterrand said last week that he planned to continue on the path of debt cancellation. The French president is, however, caught between domestic budgetary caution, on the one hand, and the need to co-ordinate his actions with other industrialised countries, on the other.

The four middle income African countries – Ivory Coast Cameroon, Gabon and Congo – had between them total external debt of $24.3bn (£14.4bn) at the end of 1987, with a considerable portion of it owed to France. The cancellation of low income country debt already covered FFr27bn (£2.8bn) of debts.

France's total state exposure to developing countries, including export credits, state budget aids and grants from the central aid organisation, is estimated at FFr340bn, and around half of this is currently estimated to be in default.

At the same time, France has to ensure a certain amount of co-ordination with its partners in the G7 economic summit meeting in Houston next month.

India warms toward the foreign investor

By K.K. Sharma in New Delhi

MR V.P. Singh, India's Prime Minister, said yesterday that he would prefer foreign equity investment to borrowing abroad to avoid adding to the country's foreign debt.

His comments, to the National Development Council, the country's supreme economic decision making body, herald a further liberalisation of the policy to attract foreign equity participation.

India's foreign investment policy has been liberalised recently but it still restricts foreign equity investment to minority stakes in Indian ventures.

Mr Singh welcomed investment that would enable India to improve its foreign exchange earning capacity.

He referred to the 38 per cent equity share of Suzuki Motors of Japan in the government-owned Maruti Udyog, the country's largest car maker. Suzuki has agreed to let Maruti explore the European small car market and thus enabled it to earn much-needed foreign exchange.

Mr Singh cited this as an example of the kind of foreign investment India would welcome and said he would commend this to representatives of other countries recommending use of foreign capital for development.

Mr Singh also agreed to consider allowing the rupee to float freely in the international currency markets.

The rupee is on a "controlled float" linked to the currencies of its major trading partners.

Kashmir militants kill four policemen in hotel attacks

KASHMIRI militants staged a grenade and rocket attack on two lakeside hotels housing Indian security forces yesterday, killing four policemen and wounding six, Reuter reports from Srinagar.

A group calling itself the Moslem Jambaz Force claimed responsibility for the attack on the hotels overlooking Dal Lake in Srinagar, Kashmir's capital.

In peaceful times the lake and its houseboats are the centre of the scenic region's lucrative tourist industry.

The two lakeside hotels, 150 metres apart, came under fire simultaneously. Police believe one group of militants fired rockets from one of several islands dotting the lake while another group in a boat launched grenades at the hotels.

A policeman at the scene said the surprise attack was the first time Moslem militants seeking secession from India had used rockets against security forces.

Police believe the attack was in retaliation for Monday's killing by security forces of Muhammad Abdullah Bangroo, a field commander of the Hezb-ul-Mujahideen, one of several militant groups fighting Indian rule.

About 4,000 people defying a 24-hour curfew gathered in the old quarter of Srinagar yesterday to take Bangroo's body for burial but riot troops and police broke up the crowd with canes.

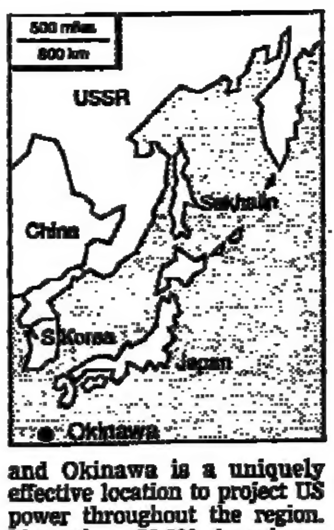
Okinawa unimpressed by US return of land

By Ian Rodger in Naha, Okinawa

A PLAN announced yesterday by the US military to return about 850 of the 25,000 hectares of land it holds in this strategically vital island at the southern end of the Japanese archipelago was immediately dismissed by increasingly impatient local leaders as insufficient.

"It is welcome, but it is not enough," Mr Chisho Yohena, assistant director of the Okinawa governor's office, said yesterday. "We think there is still a lot more land they could give back without weakening their overall power," he said.

The rise of local opposition to US military bases here has created a delicate problem for the US and Japanese Governments. Both are committed to maintaining a strong US security presence in the Far East,



and Okinawa is a uniquely effective location to project US power throughout the region. More than 50,000 Americans are stationed here, operating huge army, navy, air force and marine installations.

However, Okinawans, who lived under US military rule for 27 years after the end of the Second World War, have grown weary of having 20 per cent of the land on their crowded sub-tropical island occupied by US forces.

Formerly poor and largely dependent on the bases for their income, they have become prosperous in recent years on a boom in tourism from other parts of Japan and exports of fresh produce.

The US bases now provide less than 10 per cent of the prefecture's annual income, according to Mr Hirotaka Makino, research director of the Bank of the Ryukyus, a leading Okinawan Bank.

Okinawan leaders complain that about three quarters of US bases in Japan are concentrated in Okinawa and that the inevitable training exercises carried out on the cramped island are a constant danger to residents.

A survey of Okinawa residents conducted by the prime minister's office last month found that 60 per cent wanted to be rid of the bases and half of them said it was because they were dangerous.

The US has always been reluctant to give up land in Okinawa. Some plots it agreed to return in 1973 have still not been passed over. Now, when it faces an uphill struggle to renew leases for its bases in the Philippines, it is even more inclined to hold on to what it has in Okinawa, despite planned spending and personnel cuts here.

The announcement of the proposed land returns came only four days before the annual memorial service commemorating the end of the battle of Okinawa in 1945, and was widely interpreted here as a sort of gift from Prime Minister Toshiki Kaifu, who plans to attend the service. More such gifts are expected later in the year when an incumbent conservative governor will face strong pressure from a popular reformist challenger in a prefectural election.

Whatever the outcome, there will be little comfort for the US and Japanese governments. Both candidates are demanding that the US give up more land. They differ only in the severity of tactics they would use to achieve their ends.

China says only 355 detained in Peking jails

By Peter Ellingsen in Peking

A YEAR after the Peking massacre and ensuing crackdown, 355 "law-breakers" are still being held in the capital, a spokesman for the standing committee of China's Parliament, the National Peoples' Congress (NPC) said.

On the eve of the 14th meeting of the NPC's standing committee, Zhang Husheng revealed the official "detention" figure for the capital, but gave no details of numbers held elsewhere. The figure is much lower than estimates of observers, including Amnesty International, who put the number of political prisoners in the thousands.

Zhang said yesterday 860 "offenders" involved in last year's turmoil had been released.

There was no word on song-writer, Hou Dejian, and two others believed to be in detention following attempts earlier this month to mark the anniversary of the June 4 massacre by calling on authorities to free political prisoners.

Hou, who sheltered in the Australian Embassy after troops invaded Peking last year, disappeared with two friends, economist, Zou Duo, and university editor, Gao Xin, just as they were about to hold a media conference attacking the government for holding fellow dissident, intellectual Liu Xiaobo.

Liu, a lecturer at Beijing Normal University, has been held for a year without trial.

Another intellectual, Zhao Fusan, a vice-president of the Chinese Academy of Social Sciences, has been sacked as a Shanghai deputy to the NPC. Zhao, a leading Christian scholar, also lost his academic post, which carried a vice ministerial ranking. He left China in May last year to attend a Unesco meeting and is alleged to have made statements "attacking the Chinese Communist Party" while abroad.

The NPC standing committee, which begins meeting tomorrow, will consider draft laws to prevent desecration of the national flag.

The claim that fewer than 400 people remain in jail as a result of the anti-government protests last year, comes as senior leaders, including party chief, Jiang Zemin, and patriarch, Deng Xiaoping, have renewed a propaganda offensive. Jiang has attempted to play down the harshness of the regime in a letter to Chinese students in the US, and Deng, the paramount leader, has warned that any upset to communist rule will destabilise Hong Kong

Tight money and lax law in Taiwan

Credit squeeze and crime blamed for slowdown, writes Peter Wickenden

YELLOW is nobody's favourite colour in Taiwan's Council for Economic Planning and Development. A light of that hue is glowing on the economic forecasting computer for the first time since 1986, signifying a slowdown.

In January the Government was forecasting 7 per cent growth in gross national product for the year, expecting the economy to be supported by surging domestic demand as export growth levelled off. Annualised GNP growth in the first quarter was a healthy 7.46 per cent, but recent news on all fronts has been dismal.

Main economic indicators are down, demand has dried up, industrial output and exports are down sharply and inflation is rising. Most analysts now see 6 per cent or less as a realistic figure, and some are talking of recession next year if things do not improve in the next three months. Almost all of them blame the Government for its over-tight monetary policy and its failure to get to grips with law and order.

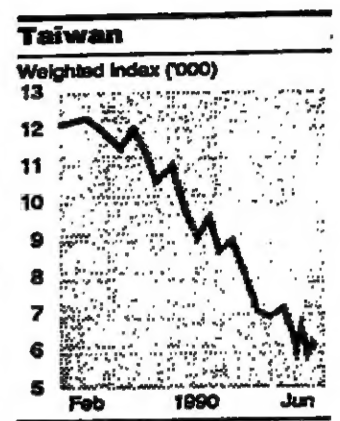
The squeeze on credit and a serious deterioration in social order have made life hard for the small businesses that make up 90 per cent of Taiwan's manufacturing sector. Unable to obtain funds and faced with violent crime, extortion threats, anti-pollution protests, a labour shortage and rising wages, hundreds of labour-intensive companies have upped and moved abroad.

Government-approved outward investment so far this year is up 488 per cent at $456m, while the actual total is reckoned to be up to 10 times that. The capital outflow has knocked at least $5bn off Taiwan's mountain of foreign exchange, although, at $68bn, it remains the world's largest. Together with the tight credit policy aimed at curbing inflation, this has brought negative money supply growth for three consecutive months, in turn slashing the excess liquidity on which the Taiwan stock market has hitherto thrived.

The stock market has gone through the floor, wiping billions of dollars off the personal wealth of 4m investors. From a February high of 12,000, it closed yesterday at 5892.88, down 51 per cent.

Mr Li Kao-chao, director of economic research at the CEPD, says that stock trading profits have supported more than half domestic demand. As tens of thousands of full-time gamblers go back to regular jobs, sales of large imported cars and luxuries have plummeted. Imports fell by 7.2 per cent year-on-year in May to $4.78bn.

The real estate market began to cool off last spring, but prices are only now beginning to fall significantly as stock market players and underground investment houses try to recoup some of their losses. While that is bad news for Taiwan's vast army of speculators, the government hopes it may provide the impetus for an economic recovery in the latter half of the year – government spending on infrastructure projects that was supposed to boost domestic demand this year has been stalled by an inability to acquire land.



A critical shortage of affordable industrial land has also stymied many investment projects in the private sector and has been a big factor in the decision to move offshore. Mr Y. C. Wang, chairman of Formosa Plastics, Taiwan's largest industrial conglomerate, cited it as a reason for wanting to build a $7bn naptha cracking plant in China.

His disenchantment with the investment climate in Taiwan generally has proved infectious. Government officials fear that if he invests in China, hundreds of other Taiwanese petrochemicals and plastics companies will follow, weakening the very backbone of Taiwan's industrial structure before it has had time to upgrade sufficiently.

It is the low-quality, labour intensive goods that are hit hardest when exports drop, as they did by a massive 10.2 per cent year-on-year in May to $5.64bn. Last year Taiwan benefited somewhat from labour unrest in South Korea, but this year the orders are going to Thailand, China and other low-wage countries. In May Taiwan's trade surplus saw its first double-digit percentage monthly drop since the 1973 oil crisis.

Although industry has gained from massive tariff cuts and commodity prices have therefore been stable over the past year, wages and rent have shot up and priced cheap Taiwanese goods out of the market. The depreciation of the Japanese yen, meanwhile, has also hit exports of higher quality Taiwanese goods. Exports are not expected to improve much over the rest of the year.

Rent is still increasing, and this is the main reason why wholesale prices are going down but retail prices up. The retail price index rose an annual 3.73 percent in May, its largest rise in eight months.

The central bank's vice-grip on credit has kept inflation down to 3.43 per cent from January to May, however, and many analysts think it has gone too far.

Tight credit is set to continue, but Mr Li of the CEPD says that if the slowdown goes on for another three months, the Government may pour money into the economy through expanded infrastructure spending in the hope of preventing a recession. He also worries that the rate of industrial restructuring is not keeping up with the decline in low-quality exports, and wants the government to spend more on research and developmentfor private industry.

A Peking poster, part of a huge campaign to conduct the world's biggest census next month. It will take 7m workers to stage the first door-to-door count of China's one-billion-plus people. Census workers have to overcome the fears of illegal immigrants to cities and those who breached the one-child-per-family rules and have "black" children.

Taipei 'ban' on China investment

By Peter Wickenden in Taipei

TAIWAN'S Premier Hau Pei-tsun said yesterday his government would refuse permission for Formosa Plastics, the country's biggest industrial conglomerate, to invest $7bn in a petrochemicals complex in China.

Mr Y.C. Wang, chairman of Formosa, is in China conducting detailed negotiations on the proposed investment.

The Taiwan government has asked him to build the plant in Taiwan, fearing that if he builds in China, a host of Taiwan's downstream petrochemicals and plastics companies will follow. They account for more than a third of Taiwan's exports.

Answering questions in parliament, Mr Hau said the government "through certain channels" had made its position known to Mr Wang.

He said it was the government's responsibility both to dissuade Mr Wang from going ahead, and to assist him in building the plant in Taiwan.

Mr Wang has all but given up on Taiwan due to the high cost of land and labour and years of opposition from environmental groups.

Mr Wang has been calling Taipei's bluff on the issue since early this year.

Taiwanese newspapers reported yesterday that he had bowed to Taipei's pressure and cancelled plans to sign an agreement with Chinese authorities.

Mr Wang's son Winston Wang said this was pure fabrication, and no deal with the Chinese authorities was yet on the table. In a radio interview he stressed his belief that Taiwan's economy would suffer if its petrochemicals industry did not invest in China immediately. This would generate the funds needed to invest in higher technology production back in Taiwan.

After an emergency conference on national affairs at the end of this month, Taiwan is thought likely to legalise direct investment in China by most low-tech industries. That will not include naphtha crackers of the type Mr Wang has in mind.

Yemen to harness northern enterprise and southern discipline

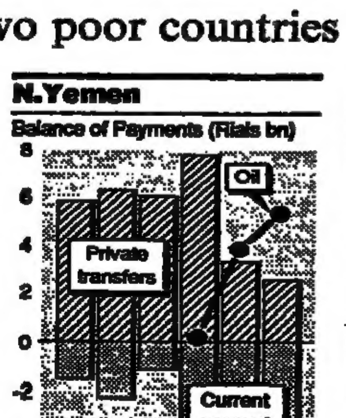
The merger of two poor countries could, with the right policies, result in one not-as-poor country, writes Victor Mallet

TWO poor countries have become one poor country with the merger last month of the two Yemens. Official statistics suggest that the finances of Arabia's new united republic are in a sorry condition.

Remittances from Yemenis working abroad have fallen sharply over the years, gaping trade deficits have become routine and total foreign debt has risen to an estimated $6bn. Modest exports of crude oil – which created what one banker calls an appetite for "Toyotas and jam" – are not enough to rescue the economy.

Yet Yemen hums with a level of commercial activity which casts doubt on its ranking as one of the world's poorest nations, with a supposed annual income per head of only $650 for the former North Yemen, the more populous half of the state. Business is as brisk for the smugglers on the border with Saudi Arabia as it is for the black market money changers and sellers of fruit and fried locusts in the old Sanaa souk.

By mid-afternoon most



Yemeni men's cheeks are bulging with *qat*, the mildly narcotic leaf which costs them between 50 (£2.50) and 100 rials a day; a wealthy businessman could spend up to 1,000 rials on quality *qat* for his guests and himself to chew.

Neither the internal *qat* trade nor the activities of the tribesmen who smuggle goods across the sands of the Empty Quarter from Saudi Arabia are included in Yemeni statistics, but together they account for a large share of national product and ensure wealth is spread from the cities to remote corners of the countryside.

Yemen has the sort of dual economy more characteristic of Africa than of its Arab neighbours; alongside the over-controlled official economy runs a healthy unofficial system which functions in spite of the government rather than with its help.

It will be the task of General Ali Abdullah Saleh, the Yemeni President, to harness the entrepreneurial energies of the merchant families of Taiz and Sanaa and to exploit the relatively skilled and disciplined bureaucrats of South Yemen's former communist government, who enjoy more respect than their ineffective northern counterparts.

"There have been no import licences for cars, televisions and so on for a long time, but they are all available," says Mr Jamal Mohammed al-Mutarreb of the Sanaa Chamber of Commerce and Industry. "The only way to stop smuggling is to make a reasonable balance of market forces." A further devaluation of the rial seems inevitable.

President Saleh, although apparently as skilled as the old Yemeni Imams at the brinkmanship of inter-tribal diplomacy, will not find it easy to bring the tribesmen into the formal economy, however liberalised it becomes. In recent weeks the northern tribes, rightly concerned that unity will mean more official determination and more military resources to curb their independence, have stepped up disturbances in the Marib oil-producing area.

In Sanaa, businessmen want the unwieldy 40-member cabinet (northerners and southerners all had to be accommodated without loss of face) to act quickly against corruption and bureaucracy and to promote exports and investment. "Until now nothing serious has been done to evaluate the economic capabilities of Yemen. We need a master study," says Mr al-Mutarreb.

Yemen has few comparative advantages over its regional rivals apart from surplus labour, and it remains to be seen if the planned free port at Aden – the old southern capital and supposed commercial centre of the united state – will be as successful as Yemenis imagine.

The development of agricultural exports such as fruit and coffee – the word Mocha comes from the name of a Yemeni town – is another possibility, but the over-exploitation of underground water and the deterioration of traditional hillside terraces is already causing concern. Oil and gas are useful foreign exchange earners and more may be discovered, but production from current reserves can continue for only a few years.

At least the merchants and industrialists of the north, including those driven out of South Yemen after the 1967 revolution, are delighted at the prospect of a larger market now that the south is freely accessible. Modern factory equipment was installed in the north as part of an import substitution programme, but the industrialisation drive was poorly planned and many plants, short of imports, operate well below capacity. The northern government recently decided to grant import licences without allocating the necessary dollars, thus allowing companies to find the foreign exchange on the black market.

The Yemen Company for Trade and Industry, a family-controlled aerosol-filling business established five years ago, found itself short of inputs soon after it started, and was lucky if it was able to achieve 50 per cent of its annual capacity of 8m cans of insecticides and other sprays.

The existence of two rival aerosol companies in the north was an additional burden. In the south there were no such factories, but the market was theoretically closed. "South Yemen used to buy from outside through tenders," says Mr Ali al-Mujahed, the managing director, thoughtfully chewing *qat*. "There were some of our products on the market there but it was by smuggling. Now it's legal."

One obstacle to economic progress will be the underdeveloped state of the banking system, which is ill-equipped to mobilise savings for productive investment. Yemen's foreign debt, on the other hand, is not as daunting as it appears, since much of it was borrowed at low rates of interest from the Soviet Union and may never be repaid in full.

The process of integrating north and south, despite the differences between the secular administrative traditions of the south and the Moslem, free-market system of the north, will probably not be as difficult as some expect. Intermarriage is widespread, and the new government is already planning to redraw provincial boundaries to obscure the old border.

It will nevertheless require hard economic decisions as well as unity dances with drums and daggers to ensure that Yemen is a confident and genuinely united country when its people vote in 1992 in the first national elections.

Ministers deny rift over extent of military review

Stocks fall on news of defence cuts

By Paul Abrahams, Terry Byland and John Mason

DEFENCE stocks fell heavily yesterday in busy trading on the London stock-market after Monday's announcement by the Government that it was cutting defence spending by £600m. The cuts are the precursor of a wide-ranging review of defence expenditure currently being carried out by the Government.

The extent of the review is still unclear, as is the likely weight of the cuts on the three services.

Mr Alan Clark, the Defence Procurement Minister, yesterday tried to play down reported differences between him and Mr Tom King, the Defence Secretary, over the "options for change" defence review by insisting there would be no "precipitate" reductions in force levels.

Mr Clark, who has drawn up a paper suggesting possible cuts thought to be more sweeping than those favoured by Mr King, said any reductions would have to be carefully phased in. It would be some time before their impact was felt, he told MPs.

Nevertheless, City securities analysts said the market had been taken aback by the announcement on Monday. While analysts had expected such cuts the stockmarket had not fully discounted the implications for individual companies.

British Aerospace shares dropped sharply, falling 20p to 540p, before recovering to 546p. Strauss Turnbull, the UK securities arm of Société Générale, said it was "very worried" by the potential effects on share ratings of British Aerospace in the wake of the cuts in defence spending. The shares were particularly vulnerable to Monday's announcement because it included the cancellation of 33 Tornado aircraft which would have been built by British Aerospace in co-operation with West Germany and Italy.

Smiths Industries also fell heavily from 266p to 251p. The company is heavily exposed in the US defence market, where cuts expected to be particularly heavy.

Other defence-related stocks that fall included Rolls-Royce, down 5p at 217p and Dowty, whose shares were down 8p at 226p.

One stock that bucked the market trend was Westland, the helicopter manufacturer, whose shares rose by 6p to 113p. as the company has no significant orders at present and so is invulnerable to any cuts. The helicopter company could benefit from a change in British Army doctrine to a more mobile and flexible form of warfare.

Swords turn to ploughshares in the City

By Paul Abrahams

THE ECHOES of swords being turned into ploughshares could be heard in the City yesterday as most defence-related stocks fell heavily following the Government's announcement on Monday of a £600m cut in the defence budget.

However, analysts were anxious to differentiate between the companies, pointing out that the effect of any future defence cuts would fall unevenly.

"There are few pure defence stocks left," explained Mr Piers Whitehead, an analyst at Robert Fleming Securities. "We're talking about degrees of exposure."

Those most exposed fell furthest yesterday. GEC shares experienced some of the busiest trading in the sector, falling by 11p at one point before settling to 208p, down 9p on the day. About 25 per cent of the company's overall turnover is defence-related, according to analysts.

GEC is trying to reduce its dependence on defence activities. Five years ago only 5 per cent of the turnover of GEC Electronics Systems, the division most exposed to potential defence cuts, was not defence-related.

Analysts were also looking at exposure in different markets, particularly in the US where cuts are likely to be heaviest. On Monday GEC Ferranti Defence Systems announced it was to shed up to 550 jobs in Edinburgh as a result of the loss of a contract involving the US Air Force.

Other companies likely to be affected by a downturn in the US market include Smiths Industries, Rolls-Royce and British Aerospace. At one point, shares in Rolls-Royce were down 8p at 217p in heavy trading.

Tornado fades on a wind of peace

David White on the first taste of cuts for the UK defence industry

The British arms industry has received its first taste of cuts to come. The Ministry of Defence's decision to cut short its purchases of Tornado strike and fighter aircraft in order to make its sums add up this year has sounded like a warning shot across the bows of the industry and the 325,000 people in Britain whose jobs depend directly or indirectly on supplies of military equipment.

The decision comes in the final stages of the Tornado project but poses a crucial capacity management problem for British Aerospace at its Warton factory in Lancashire, northern England. The company, main UK partner in the project along with Messerschmitt-Bölkow-Blohm of West Germany and Aeritalia, had hoped that declining Tornado work would dovetail with production of the planned four-nation European Fighter Aircraft (EFA).

"One thing is certain now. It certainly won't follow straight on," said one worried executive at Warton.

The Tornado first flew in 1974, with the first British series production model appearing five years later. A total of 810 have already been delivered. These include 344 for the RAF: 210 ground-attack aircraft and 134 air-defence variants. Another 119 in all are on order, from the first seven production "batches."

BAe supplies the front and rear fuselage and sends the UK Ministry of Defence the bill for final assembly of RAF aircraft. It is also responsible for supplying the Tornado's only current overseas client, Saudi Arabia.

What have been cancelled are 33, mostly ground-attack Tornados for the RAF to use as reserve aircraft, costing more than £500m. Italy was also due to buy 16 equipped for electronic warfare and reconnaissance, but that also is also now in question.

Eight aircraft of the same batch, earmarked for Malaysia, were cancelled last month, just as previous orders from Jordan and Oman were dropped. Saudi Arabia is expected to order 48 more. But there have been difficulties in matching deliveries to the flow of money into that programme.

BAe is due to complete its first set of 72 deliveries to the Saudis next year. Other aircraft still being built will keep the Tornado production line in action only into 1992 - although BAe is counting on updating work after that.

The cut has raised expectations in the company that money will be found to press ahead with production of EFA, now in development. But a decision on that is not due until early in 1992.

Senior BAe managers said the damage in turnover terms would be no more than 1-1.5 per cent of the military aircraft division's £2.7bn sales, but recognised that it could lead to job losses. Warton, with its nearby sister factories at Preston and Samlesbury, employ about 14,500. The company is expected now to study job transfers or a redistribution of work within the group.

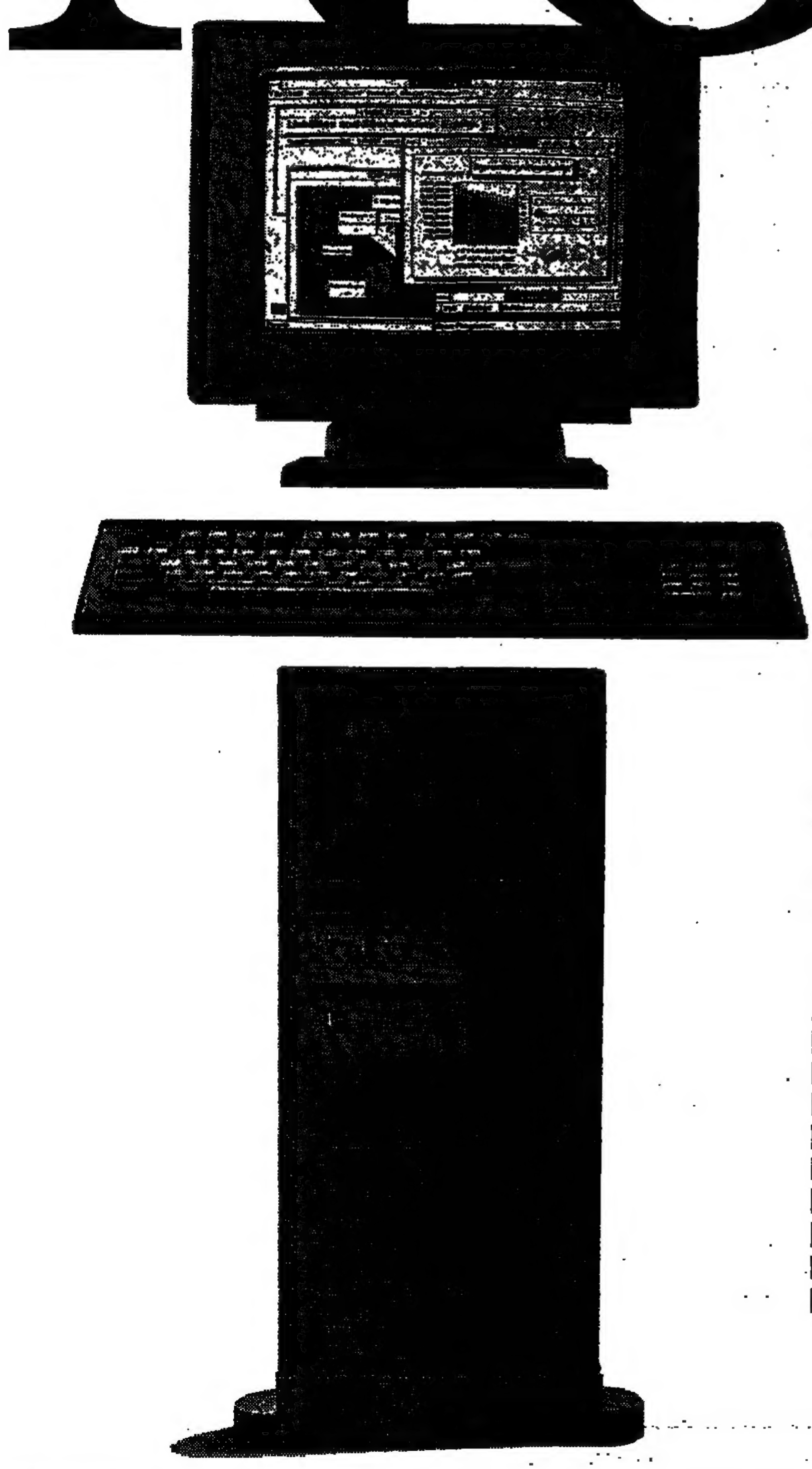
Warton also produces the Hawk series of trainer and light fighter aircraft, which has benefited where the Tornado has lost in export markets. Malaysia and Oman are both due to take Hawks instead of Tornados, and BAe has clinched a deal with South Korea believed to involve 20 off-the-shelf aircraft and up to 120 more assembled locally.

But this neither resolves the production-line problem norfully compensates for the Malaysian setback. The Malaysian order, which would have included a further four Tornado options, was seen as leading the way to other Asian orders to keep the programme going steadily through the 1990s.

This week's bad news coincided with the axing of 550 jobs at GEC Ferranti in Edinburgh, the lead company for the EFA radar, after a confidential US Air Force laser project it was working on fell through. It had been hoping this would open up further US business.

However, the Government provided a much-needed gesture of confidence in one of the shakiest of Britain's current armament projects, the Anglo-Italian EH101 naval and utility helicopter, and in a new helicopter engine developed by Rolls-Royce and the French company Turbomeca. After earlier leaving some doubt as to whether it would require such powerful engines for the EH101 it confirmed the choice of the new RTM322 in preference to the General Electric engine chosen by the Italians. The MoD is meanwhile to press ahead with the selection of a prime contractor to manage the EH101 programme, integrating all its electronic equipment and the new engines. Westland is putting forward two bids, one in combination with the IBM computer group, the other through EH Industries, its joint venture with Agusta of Italy, against a bid from BAeand General Electric Company.

However, firm UK orders for the helicopter are still not expected before next year. Until then Westland, whose future provoked a Cabinet crisis in 1986, will still be crossing the desert.



GUINNESS TRIAL

Anger in court as Saunders accused of lying over takeover

By Raymond Hughes, Law Courts Correspondent

MR ERNEST Saunders yesterday reacted angrily when barristers for two of his co-defendants accused him of being a liar.

The former Guinness chairman and chief executive told Mr Michael Sherrard, QC, for Mr Gerald Ronson, chairman of the Heron group: "I am determined to clear my name and you can do your damndest and call me what you like."

Under cross-examination by Mr Colin Nicholls, QC, for City stockbroker Mr Anthony Parnes, Mr Saunders said: "Do you think I would have spent the last three-and-a-half years of hell ... if I had not felt passionately that what I am telling is the truth ? I am going to vindicate myself and nothing you can say is going to change that."

Mr Saunders, Mr Ronson, Mr Parnes and Sir Jack Lyons deny charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle for Distillers.

Mr Sherrard had suggested that Mr Saunders' version of discussions between him and Mr Ronson had been "pure invention."

Mr Saunders replied that "my version is what I know is the truth and your group is the one that is not telling the truth."

"In common with so many others?" asked Mr Sherrard.

"In common with so many others," said Mr Saunders.

He told Mr Sherrard: "You can smirk about it, be cynical about it, laugh about it, but you have not had to suffer what I have had to suffer. You have not had to have your family go through what my family has had to go through as a result of this campaign against me.

Mr Sherrard: "I do not lie, I do not smirk, I do not need to be cynical. I suggest you really have yourself to blame for all of your predicament because you told unnecessary lies and you are stuck with them. It's no laughing matter. It is a very great personal tragedy for all concerned."

Mr Saunders replied that "your suggestions of lies coming from me are completely untrue and just a smear."

Earlier he had told Mr Sherrard: "I will not sit here and go on having you suggest to me I am lying and your client is all wonderful."

Mr Nicholls said that according to Mr Saunders, Mr Parnes had "joined the club of those who have deliberately lied against you." Mr Nicholls asked: "Is the truth not that you are the one who is lying ? You have lied to the Department of Trade, you have lied to the court and you have reached a position now where you have not got the courage to tell the truth about these matters."

Mr Saunders: "Mr Nicholls, you are making scandalous remarks regarding my integrity. I will not put up with that sort of thing. You risk being called a liar by me if you persist with this sort of approach.

"You may not make allegations against me in this way. I am here defending the only thing worth defending I have left, that is my integrity."

Mr Saunders said that Mr Nicholls' suggestion "that I should now make some form of deathbed confession is laughable."

Mr Robert Harman, QC, for Sir Jack Lyons, the millionaire financier, said he would try to lower the temperature. "You would no doubt agree that for men to appear in a public courtroom in order to brand eachother as liars is unpleasant for the participants and unattractive for those who have to sit and watch." "Absolutely," agreed Mr Saunders.

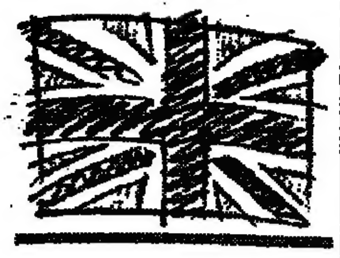
Mr Saunders said he had been angered by a letter written by Mr Ronson to Sir Norman Macfarlane, then Guinness chairman, in January, 1987. Mr Ronson had returned £5.8m Heron had been paid by Guinness and explained how he had become involved in supporting Guinness.

That letter, Mr Saunders said, had resulted from a strategy to implicate him in something with which he had had nothing to do.

The trial continues today.

UK NEWS

BRITAIN IN BRIEF



Advisers for Poland selected

The British Government has selected four groups of British financial advisers to assist Poland with the privatisation of its state-owned companies. The four advisory groups, whose fees will be paid by the British government out of its recently created £50m Polish Know-How Fund, were selected out of a shortlist of nine applicants by the Overseas Development Administration and Ms Kate Mortimer, a private consultant. Three of the successful groups are led by merchant banks, Barclays de Zoete Wedd, Rothschilds and Schroders, while the fourth is led by the accountancy firm Ernst & Young.

The four British groups are the first privatisation advisors to be appointed by the Polish government. Their initial task will be to choose the best candidates for immediate privatisation out of a preliminary list of companies compiled by the Polish government. But this work cannot begin until the Polish parliament passes a privatisation law. This is expected to happen next month, but the whole issue is still dogged by intense controversy and there was some embarrassment in London that the appointment of the four British advisers had leaked out.

Scotland buys into Greece

Bank of Scotland is taking its first step into banking in continental Europe by buying a 30 per cent stake in a newly formed bank in Greece. The bank, to be called Dorian Bank, will concentrate on corporate and investment banking.

Dorian will have an initial capital of Dr2.2bn (£8.2m). It is being set up in conjunction with Mr John Mavrakakis, a well known figure in Greek business circles and chairman of the Mayamar Marine Enterprises shipping company, which will own the other 70 per cent.

Greek banking, hitherto dominated by state-owned banks, is being de-regulated as EC directives are implemented and Bank of Scotland believes that this will provide good business opportunities.

Rising deficit for universities

Britain's universities are in much worse financial condition than had been forecast earlier this year, the government has been privately told by its own advisors, the Universities Funding Council.

The UFC, which monitors the health of the university system, said that university heads have sharply raised their estimates of the aggregate deficit for the 1990-91 academic year to over £20m. Earlier this year, the UFC told a Parliamentary subcommittee the deficit was likely to be about £13m.

The information is contained in a draft of a document submitted for the government's 1990 public expenditure survey in April, which paints a bleak picture of the financial condition of the university system.

BCCI makes 900 redundant

Bank of Credit and Commerce International has made 900 staff redundant in the UK as part of a restructuring plan which includes moving its headquarters to Abu Dhabi and closing nearly half its UK branches.

A bank spokesman said the redundancies were evenly divided between the Central Support Organisation and the UK operations. Of the total, 700 were taking voluntary redundancy terms and 200 were fired. The bank expects *to move to Abu Dhabi in* August.

Conoco buys up N Sea assets

Conoco, the energy subsidiary of Du Pont, the US chemicals group, said it would buy the UK offshore assets of Triton North Sea Operators, part of the US independent oil company, for $61m.

The acquisition is aimed at increasing Conoco's interests in areas where it is already active. It is currently Britain's 5th largest oil and gas producer and has an active exploration programme.

Triton said it was quiting the North Sea because of the long lead time between discoveries and the start of production. A number of companies have in recent years followed the same path to avoid large cash requirements for oilfield development.

Isle of Man delays on SIB

The Isle of Man Parliament adjourned a decision on making ex gratia payments to former depositors of the collapsed Savings and Investment Bank.

Members want general publication of the hitherto secret inspector's report into the bank's collapse before they debate the issue of spending Manx taxpayers' money on payments to depositors.

The bank collapsed in the Isle of Man in 1982 with debts of £42m. It left around 2,500 creditors, many small depositors who lost their life savings.

EBRD chief in London

Mr Jaques Attali, newly appointed first president of the European Bank for Reconstruction and Development (EBRD) slipped quietly into London to discuss plans for setting up the new London-based institution with senior politicians and bankers.

One of the first tasks facing the new president is to chose premises for the new institution which is expected to boost London's status as Europe's leading financial centre.

Commissioner faces charges

The former Mauritius High Commissioner in London and his wife used diplomatic immunity to help them launder the profits of their son's drug trafficking, Southwark Crown Court heard yesterday.

Mr Soo Soobiah, 67, and his 63-year-old wife Muriel, have pleaded not guilty to laundering £87,000 for their son Nigel, who was described in court as "a very successful professional drug trafficker".

Mr Anthony Hooper QC, prosecuting, told the court that between 1984 and 1988 Nigel Soobiah had deposited more than £1m in 27 bank accounts worldwide. He was arrested in 1988 and is now in a New York prison after pleading guilty to heroin trafficking.

In February 1989, Mr and Mrs Soobiah were arrested at their home in Camberley, Surrey. The court heard that Mr Soobiah's involvement only came after his son's arrest - but Mrs Soobiah faced a further allegation that she received £30,000 into her own account from her son.

Mr Hooper said it was not being suggested that the defendants were to benefit financially from the arrangement.

The trial continues today.

Call for debate on water

The regulator of the newly-privatised water industry yesterday called for a public debate on alternative methods of charging for water.

Mr Ian Byatt, who became Director General of Water Services last year, plans to produce a consultative paper on charging methods and tariff structures in autumn and then invite comments from water consumers.

"The main question is how we are going to pay for our water and I think it would be highly proper to have a good public debate on this issue before decisions are made," he said yesterday, presenting his first annual report.

The 29 water companies and the 10 recently-privatised water and sewerage companies charge most consumers on the basis of properties' rateable value. That method cannot be used beyond the year 2000.

Coalfields face job losses

The number of miners in Britain's coalfields could be halved to 32,000 by the year 2003 if the electricity industry kept to its plans on fuel supply, a cross-party committee of MPs said yesterday.

A report by the Commons energy committee on Britain's plans to reduce sulphur dioxide emissions noted that National Power and PowerGen planned to meet their emission targets largely by turning to gas and imported coal with a lower sulphur content.

Tighter controls on UK boardrooms urged

By Nikki Tait

TIGHTER CONTROLS on corporate boardrooms are recommended by Britain's insurance companies, some of the most powerful institutional investors in the stock market.

They are suggesting that companies divorce the roles of chairman and chief executive unless individuals are carefully monitored; appoint strong non-executive directors; and spell out directors' borrowing powers in the annual report.

The annual report should also contain details of any performance-linked remmeration schemes and share option incentives enjoyed by directors.

The guidelines are contained in a discussion paper – The role and duties of directors – drawn up by the investment committee of the Association of British Insurers. Most big insurance companies are represented at the ABI, and the investment committee draws its members from the likes of Prudential, Standard Life, Commercial Union, Clerical Medical, and Eagle Star.

Mr Mike Sandland, chairman of the investment committee and head of investments at Norwich Union, said insurers were being asked increasingly for their views on matters of "corporate governance." The aim, he said, was to state "a pretty united view on our guidance to companies."

Although offices often had strong feelings about these issues, he conceded that there was sometimes "a degree of diffidence" in insisting on certain standards when discussions were on a "one-to-one" basis (between a company and a single shareholder). Formalised guidelines could help institutions argue their ground.

The document will be raised with the Institutional Shareholders Committee – which also includes representatives of the pension funds, unit and investment trust industries, and asset management divisions of the investment banks. The hope is that uniform guidelines can be agreed among all the institutional groupings.

The ABI concedes that the new standards are unlikely to be enforced as stringently as some of its other guidelines - for example, on pre-emptive rights. The emphasis, it said, would be on seeking implementation of the recommendations "as and when" problems arise.

At present, it calculates that over half the companies in the FT-SE 100 Share Index probably comply with the major guidelines. There are some notable exceptions: major companies such as BOC or Bass combine the chairman and chief executive roles.

The role and duties of directors - a discussion paper. Association of British Insurers, Aldermary House, 10-15 Queen Street, London EC4N 1TT. No price given.

Dutch police warning over IRA terrorists in Europe

By Jimmy Burns and Kieran Cooke

DUTCH police said yesterday they believed many more Irish Republican Army terrorists could still be at large on the European mainland despite the capture of four suspects in the Netherlands and Belgium over the last week.

The latest IRA suspect was captured by Dutch police early yesterday morning in woodland near the village of Chaam on the Dutch-Belgium border.

The move followed the arrest of two widely known Republican sympathisers, Miss Donna Maguire and Mr Gerard Harte in Belgium on Saturday.

A third male suspect was arrested in Chaam on monday although there was continuing confusion yestreday over his identity.

According to Belgium police, British intelliogence officials had identified the arrested man as a Irishman, Mr Michael Collins. This was denied by Sinn-Fein, the IRA's political wing.

Britain's defence secretary Mr Tom King welcomed the arrests as a "good sign of international co-operation in Europe in the fight against terrorism."

Both the Netherlands and Belgium yesterday joined West Germany, France, and Luxembourg, in ratifying the Schengen Treaty abolishing border controls.

However the latest moves against the IRA have once again brought to the surface some of the legal problems which lie in the way of more widespread European co-operation on security matters.

Miss Maguire was acquitted on explosive charges by a Dublin court in February this year. Although she was probably kept under surveillance, she subsequently managed to leave, undetected, for the Continent. While the Irish Government is concerned about the case of Miss Maguire, it has been quick to point out that Mr Harte was extradicted from the Irish Republic to Northern Ireland two years ago.

Harte was subsequently released by the British authorities and was apparently allowed to leave Northern Ireland, undetected, for the Continent.

Meanwhile a Belgium police spokesman confirmed yestreday that Belgium had asked the Dutch authorities to extradite two of the three men caught in the Netherlands.

West Germany has requested Ms Maguire's extradition but Belgium will not be able to comply before her fingerprints are checked, the spokesman said.

Toy Industry

Family continuity holds the key to longevity in a one-product company

Peter Marsh on the part quality and rigorous planning play in the continuing success of Lego, the secretive Danish company

In a volatile and competitive environment, "we have concentrated and used our strength to go deeper into what we know about." So Kjeld Kirk Kristiansen, president of Lego, the Danish toy company, sums up the philosophy which has given his group a remarkable run of success over the past 30 years.

The international toy industry, worth an estimated $30bn a year at producers' prices, is one of the world's fastest changing industries, with novelty an important selling point.

Despite this, the family-owned Lego has remained at the top end of the sector with a product philosophy based around just one idea – the brightly coloured plastic building bricks first launched in 1949.

Lego is a household name in virtually every home in the developed world with children. But the company is highly secretive, citing the heavy competition in the toy industry and its desire to protect itself from rivals, it does not allow interviews with product designers, nor visits by outsiders to most of its factories. It does not reveal total annual sales – which are believed to approach $1bn – let alone profits. It is in the top seven or so toy manufacturers, with its biggest competitors being mainly US or Japanese groups such as Mattel, Fisher Price, Hasbro, Milton Bradley, Nintendo and Tonka.

The Lego story, which has lessons not just for toy manufacturers, but for businesses in other fast-changing industrial sectors, is centred on a long-term strategy of product development.

This has enabled it to cater for the thirst for new ideas in the market place by coming up with an enormous number of variations on its basic product theme. "We have demonstrated continuity, but with change," says Kristiansen, a quietly-spoken 42-year-old who has headed Lego since 1978.

The company has also placed great emphasis on a global stance on manufacturing and marketing, detailed research to find out consumer tastes and high-quality and expensive production technology.

At any one time, about 300 different Lego kits are on sale in the shops. They retail for between a few dollars to more than $100.

The sets cover a huge ground in terms of numbers of parts and complexity. They can give children ideas for making anything from small cars to large space stations complete with battery-operated "space trains."

There are 1,300 different Lego shapes – not just bricks but a range of other construction components and the miniature Lego men (there are only a few women). These three-centimetre high figures, first introduced in 1978, come in a number of forms including knights, pirates, Robin Hood figures, ambulance workers and mechanics.

Part of the Lego philosophy is that children are encouraged to do more than stick to the kit designs. A set of six eight-studded Lego bricks can be combined in 103m ways. This kind of flexibility makes Lego hugely adaptable and is an important sales point. "One cubic metre (of Lego parts) is a decent collection for a child," says Niels Christian Jensen, Lego's vice president for marketing.

Lego is owned by Kjeld Kirk Kristiansen and his father, Godtfred Kirk Christiansen. Godtfred, aged 70, has been involved in the business since he was 12. Although officially retired, he is still part-time chairman.

Ole Kirk Christiansen, Godtfred's father, started Lego in 1932 in the small town of Billund, in the flat agricultural region of central Jutland. Ole Kirk was a carpenter who moved into toy making as a sideline. He chose the name Lego from the Danish *Leg godt*, meaning "play well." Godtfred, one of his four sons, took over the running of Lego on his father's death in 1958.

The original toys were cars and other objects made from wood.

Lego moved into plastic building bricks in 1949, copying this idea from British toy makers such as Minibrix which have long since disappeared. It dropped out of wood products shortly afterwards.

Lego is today still based in Billund, which has 5,000 inhabitants. The town's most famous structure is the house where Ole Kirk Christiansen lived. Lego has mushroomed into a giant organisation with 6,300 employees and sales operations in 115 countries. It has plants in Switzerland, West Germany, Brazil, South Korea and the US as well as in Denmark.

Much of the expansion came in the 1970s, as Lego built up sales in some of the biggest toy markets such as West Germany and the US. It did not have everything its own way. The expansion involved a great deal of investment. It found difficulties at first breaking into the highly competitive US toy business. According to Erik Quistgaard, a non-executive director of the company since 1975, Godtfred, the chairman, deserves most of the credit for keeping his eye on the long-term. "He recruited the best managers and built up a loyal team," says Quistgaard.

The changes mean that Lego takes about the same length of time developing products as previously, but is working on roughly twice as many new ideas at the same time. Now Lego aims to launch roughly twice the 50 or so new products introduced each year in the 1970s

Kristiansen, Godtfred's son, says that by being family-owned the company was able to stay financially independent. "The last time my father went to a bank for a loan was in the 1950s and he didn't like it," he says.

Lego's product strategy goes against the trend in the rest of the toy business.

Many toy companies have found the only way to progress is to move rapidly between product ideas. Such strategies impose strain not only on toy businesses' development staff but on retailers. These groups worry continually about where their next big selling lines are coming from. Many retailers appear to like the sense of continuity with Lego. "With Lego, you push out a lot of product at a steady pace," says Liz Tanner, a buyer at Hamleys, the large London toy store.

The basics of the Lego strategy are as follows:

● Product development. In a typical year, Lego replaces roughly one third of its product range. That boils down to finding new ideas for about 100 new Lego kits, and dropping perhaps 80 from the current items in the shops.

The new items can be anything from a brand new set of ideas to variations on an existing theme.

The development of a new product takes two to three years. It starts with 6-10 people drawn from Lego's product planning group based in Denmark. By the time the item appears in the shops, several hundred people will probably be involved in the planning process, including not only designers but manufacturing engineers and managers involved with sales, advertising and packaging.

● Widening of development ideas. Lego has stepped up its product development activity in recent years, mainly because of the increasing competition.

The rivalry, in particular from Tyco – the US's fifth biggest toy company, in the early 1980s – jerked it into action.

The New Jersey-based company bases much of its business on copying Lego products, so much so that a Tyco building brick is virtually indistinguishable from one made by Lego. Lego has unsuccessfully sued the US company on several occasions, claiming patent infringements.

"We didn't like Tyco copying us," says one Lego executive. "But it was a good kick for us – it made us more aggressive."

Adapting to new trends is everything, according to this manager. By this he means taking on new ideas in areas such as space transport, which has been a big hit for Lego since it developed its first spade product in the late 1970s.

"Meccano (a once popular British product) was a good toy, but it didn't adapt," he says.

The changes mean that Lego takes about the same length of time developing products as it did previously, but is working on roughly twice as many new ideas at the same time. Nowadays Lego aims to introduce annually roughly twice the 50 or so new sets it brought onto the toy market in the 1970s.

Each item lasts in the shops for an average of only two to three years before it disappears from the range and is replaced by something else.

● Market research. At an early stage in the development cycle, the new Lego kit is made in prototype form and tried out on a test group of 100 consumers around the world.

Typically Lego might aim to show the prototypes to three sets of people, in Europe, Japan and the US. Mothers and boys are normally chosen to be the guinea pigs, on the grounds that while women are the main buyers of toys, Lego appeals mainly to boys. Lego's market research shows that girls quickly lose interest after the age of six.

Lego is not interested in national buying habits, only global ones. "In some markets it might be possible to optimise our products (to meet local tastes)," says Jensen. "But if you differentiate too much you start to make difficulties for yourself, especially in manufacturing."

The Lego products themselves reflect this approach. Lego men, for example, are as near to a neutral colour in terms of racial origin as appears possible. They are a uniform bright yellow and have pleasant, smiling faces. Lego has wrestled with the idea of introducing brown faces, or unsmiling ones, but has no plans to do this for the time being.

Illustrating the company's global approach, Lego recently dropped a plan to introduce a new range based on cowboys and Indians. It found through market research that this appealed only to American children, while others were indifferent.

● Manufacturing. Lego employs 200 people who do nothing but make tools for plastics injection moulding machines which turn out the Lego parts. These people are in three tooling shops, two in Switzerland and one in West Germany. Asked why he has three tooling shops, Kristiansen says: "It is good to have some competition."

A Danish consultant familiar with Lego says: "If it had been a publicly owned company, the three shops would have been rationalised by now. But Lego has been keen to preserve quality."

In terms of its manufacturing operations Lego liases closely with makers of injection-moulding machines such as Battenfeld of West Germany and customises much of its production equipment. It employs about 350 engineers who work in this area.

● Management culture. Kristiansen says that in terms of a corporate culture his company is closer to a Japanese toy group than a western one. "We try to learn from the competition, especially in the US. But they do things very differently from us. They don't seem prepared for when things go wrong and they run into a wall. I can't understand their lack of long-term thinking."

Lego fills its top management ranks with a number of nationalities, but normally chooses insiders. Of the top 90 managers, half are from outside Denmark, with most of these people being in Lego's operations scattered around the world. The last time someone from outside the company was recruited to one of the top 10 positions in the company was about 15 years ago.

Lego is not totally immune from problems. It has had some costly failures, for instance with its efforts to find a variation on the Lego range that will appeal to girls. It has tried out such ranges, under the Fabuland and Scala brands, but without success. Lego is probably less adroit than its counterparts in the US in using promotional tools such as TV, films and books to sell its products. It has a slightly paternalistic attitude to its staff and this may breed problems in later years, especially as increasing numbers of its staff are based outside Billund (which currently is home to one in every two Lego employees).

Yet it is probably the somewhat old-fashioned ring to the company and its basic product philosophy that helps it to do so well. Lego says there is one aspect of its strategy it will not change – that none of its toys are involved in anything that could be construed as organised violence – even thought this might give it a sales push in the short run. Many parents, in particular, are probably glad it sticks to this approach.

Asked what kind of company he wants Lego to be in 10 years' time, Kristiansen says: "We might have grown somewhat, but we will be doing what we do now, which is making products that will stimulate children in being creative and using their imagination and fantasy."

Kjeld Kirk Kristiansen and Godtfred Kirk Christiansen: family-owned Lego has stayed financially independent

Our new tankers should make life safer for everyone on the road.

You may not recognise this little fellow immediately. But if you drive a car, you've certainly run across a road reflector before.

It's easily done.

High winds, wet roads or tight bends can cause the most level-headed drivers to stray unwittingly from their lane.

With this kind of scenario in mind, BP is designing new low-profile petrol tankers.

A lower centre of gravity gives them unswerving loyalty in wet conditions.

While the three separate anti-lock brake systems can get them out of all sorts of tight corners.

In future more and more of our tankers will benefit from these and other safety features.

Which ought to make all road-users rest more easily.

Helping to improve road safety is one of the things BP is doing today for all our tomorrows.

BP

For all our tomorrows.

TECHNOLOGY

Clive Cookson examines the practicality of pricing supermarket items electronically

The shelving of printed labels

Later this year the printed shelf labels will be removed from two aisles of Tesco's supermarket in Baldock, Hertfordshire and replaced by electronic labels with liquid crystal price displays, linked directly to the computer controlling the check-out scanners.

Tesco expects to be the first UK supermarket group to try out electronic price labels. It will install about 1,000 labels supplied by PriceLink of California – half on ordinary grocery shelves and half in freezer cabinets.

Several companies on both sides of the Atlantic have developed electronic labelling systems, which are being tested in individual stores. But, with the technology changing rapidly, no retail group has yet installed electronic labels throughout a supermarket chain.

Retail executives agree that electronic labels will eventually become ubiquitous like bar code check-out scanners. They will then represent a world market worth several billion dollars a year. It is potentially much faster and more efficient for a supermarket official to change prices on the shelves instantly by entering the details on a computer terminal than to send staff round the store with new paper labels. But there is no agreement about when electronic labelling will be sufficiently cheap and reliable to be adopted widely.

A study recently carried out for PriceLink by Deloitte & Touche, the US consultants, concluded that the payback period for a system installed in a typical supermarket would be less than two years. The current cost of installing a full system with 12,000 shelf labels is about $140,000.

According to the electronic label companies, the main benefits of their systems are:

- Savings from eliminating paper labels. Deloitte & Touche calculated that in one test supermarket (a Sentry store in Milwaukee) which made 1,200 price changes per week, the annual labour and material savings came to $40,000. Labour saving is becoming increasingly important, as demographic changes reduce the number of young people prepared to work in shops for relatively low pay.
- Integrity between scanner and shelf price. There is occasionally a discrepancy between the printed shelf label and the price charged at the check-out. If the shopper is asked to pay more than the shelf price, she or he may make a fuss – leading to the loss of that customer's goodwill and occasionally to adverse publicity and even prosecution. If the shopper is charged less than the shelf price, she is likely to remain silent – and the supermarket makes a loss. The electronic system ensures that the two prices are always identical.

Supermarket executives are sensitive to bad publicity about price discrepancies between shelves and scanner, and in public they usually deny that there is a problem. Even so Deloitte & Touche estimated that eliminating discrepancies would save $33,000 a year in the test supermarket (where accuracy is better than average), on the assumption that the customer and cashier report 10 per cent of the paper system's pricing errors.

- Electronic price management. Being able to change prices instantly gives supermarkets greater flexibility, for example to cut prices temporarily to promote sales of particular items during off-peak shopping periods.
- Consumer appeal. Shoppers in test supermarkets in North America overwhelmingly prefer the electronic system to paper labels.

British supermarket executives, however, are sceptical about many of the benefits claimed on the basis of American tests. "The only hard advantage I can see is a saving in labour," says Paul Etgart, Tesco's retail planning director. "There are supposedly a lot of soft benefits but we wouldn't spend money for those."

Etgart points out, for example, that electronic price management would be far more useful in the US, where price competition between local supermarkets is much more aggressive than in the UK.

But the Tesco board now believes that electronic labelling technology has advanced to the point where it is worthwhile for the company to carry out its own tests and cost-benefit analysis. "We believe from our investigations that PriceLink has the most advanced system so far," says Etgart, "but we'll also be testing a second system from someone else." The identity of Tesco's second supplier is still confidential.

Sainsbury, Tesco's greatest rival in the UK supermarket sector, is not yet ready to try any of the available systems in its stores. "We're working with a number of people on the feasibility of electronic shelf labels," says Jeremy Grindle, Sainsbury's retail operations director. "But the cost-benefit doesn't look right to us yet."

The two pioneering producers of electronic shelf systems, Epsi'Lanne of France and Telepanel of Canada, ran into difficulties raising funds to develop and market their systems; they have been through financial restructuring exercises.

Epsi'Lanne, which has independently owned sister companies outside France, has several test installations in Europe, including a small one (200 labels) in the UK at the Makro cash-and-carry warehouse in Leeds. Its largest site, with several thousand labels, is a Casino supermarket in St. Etienne, France. But John Baxter, managing director of Epsi'Lanne (UK), says that because of a shortage of development funds the company has not grown as fast as he had hoped.

Telepanel, based in Toronto, has been developing its system in association with Loblaws, a large Canadian supermarket chain, since 1985. The company has a contract to install full-scale systems in 10 Loblaws stores by the end of 1991. Telepanel has given exclusive North American marketing rights to ICL Datachecker, the retail systems subsidiary of STC, and seven US and Canadian supermarket chains are testing the system.

Several other electronics companies, including PriceLink, are developing systems to compete with Epsi'Lanne and Telepanel. Retail Electronics, a UK company, has been set up to market the PriceLink system in Europe; its main financial backer is Ernst Schiel, chairman of Retail Products, a supermarket shelving supplier.

Electronic shelf labelling is already showing one typical sign of an emerging high technology industry: patent disputes. Telepanel filed a patent infringement suit against PriceLink this year – PriceLink denies any wrongdoing – and more legal action is in prospect. Even so Andrew Aylwin, managing director of Retail Electronics, says he is confident that the patent disputes will not cripple the industry's growth.

Although all electronic labels developed so far have a liquid crystal display, they differ considerably both in the style of the label and in the technology used to communicate between labels and store computer.

Epsi'Lanne has a "hard wired" system, with labels attached to an electronic track that goes round the shelves, carrying data and power. Telepanel labels, in contrast, are battery-powered and incorporate individual radio transmitter/receivers to communicate with the computer.

PriceLink also uses radio communications. But its labels do not have their own batteries and transceivers. These are included in a "shelf node" which serves a group of labels and is attached to the underside of each four foot length of shelving.

Other systems under development use infra-red radiation to communicate price changes to shelf labels. It is even possible to encode and transmit data by making the supermarket's fluorescent lights flicker at different rates (more rapidly than the shoppers can notice). But these systems are capable only of one-way communication to the labels, whereas the radio-based and hard-wired systems send back a message confirming that they have changed the price displayed and are working satisfactorily.

WORTH WATCHING

By Della Bradshaw

Warming up to electric walls

IMAGINE returning home on a chilly evening and being able to turn a knob which immediately heats up the walls or floor of your living room.

That is the promise of an exothermic paint developed by the Japanese paint-maker Rustol Chemicals, of Tokyo. Its closely guarded formula conducts electricity and converts it into heat. Unlike the traditional radiator, which concentrates heat in one corner of the room, the paint spreads the heat evenly over the treated surfaces.

The viscous liquid can be sprayed or brushed on to any organic or inorganic surface and dries at room temperature. For industrial applications the technique can be used to heat surfaces up to 800 deg C.

Although its use in the home initially seems the most appealing, Rustol believes the coating will have a huge range of industrial applications – for heating up airport runways in icy winters, for example.

A better hold on data characters

GETTING printed information off the page and into a computer system is still a problem for smaller companies, with many having to resort to re-keying the data.

The answer could be a low-cost scanner, developed by Dest, of California, which the manufacturers claim is the first hand-held unit to give full page-width scanning, thereby reducing the time and increasing the accuracy.

Scanners read the characters on the page and transmit them electronically to be displayed on the computer screen, where they can be manipulated. The Personal Scan can reproduce text at a resolution of 300 dots per inch at a speed of 12.4 seconds per page and can reproduce 64 levels of grey.

The Personal Scan, which bears an uncanny resemblance to a wallpaper stripper, sells in the UK for £995 from Formscan, of Frome, Somerset. The price includes the scanner, interface card to fit inside a PC, connecting cable and software. The hand-held unit can also be fitted into a desk-top frame.

Checking in at a multilingual hotel

A BRITISH company intends to ease the burden of hoteliers who face the onerous task of accepting telephone messages from foreign-speaking callers, writes Kevin Wilmott.

Telephone Management Systems, of Christchurch, Dorset, has devised Voicelink, a PC-based voice messaging service specifically for hotels. It can be used with any electronic business telephone exchange and computerised hotel management system which records data such as guest nationality.

If the telephonist obtains no response from a room when the call comes in, he or she can switch the call over to Voicelink. Prompts to leave a message will be given in the guest's native tongue and a mailbox on the system opened for message retrieval by the guest.

The speech is compressed and stored on a Winchester disk, each 20 megabytes holding two hours' worth of messages. The system is economical as it only creates a mailbox for the guest once the first call rolls in. With most systems a mailbox has to be set up for each room, regardless of how many of them are used. Voicelink costs from £8,000.

Brochures take to the screen

ARCHITECTS and surveyors can be swamped by the amount of printed information they need to keep up to date with the latest building products and techniques. But technology is now at hand to speed up the process and cut the costs.

The latest scanning, PC and compact disc technologies are being combined to give an electronic library of the thousands of brochures and specification sheets available.

Developed by Poulter Communications, of Leeds, the Quantarc electronic library uses specially-developed technology to ensure that the tiniest print from the brochures is easily readable on the screen, a facility which is usually found only on expensive systems.

Subscription to the service – including a PC with 100 Mbytes of memory, a high resolution monitor, a CD-Rom reader and 25 programmed discs each containing, on average, 1,600 pages of information – costs £2,765 a year.

Brochures can be retrieved on the mouse-driven system by company name, type of product, brand name or SFB number. Once the brochure is displayed the architect can call up a standard letter asking for more information on, say, price and delivery dates. The letter is then sent overnight via the Mercury phone network to the fax or telex machine of the manufacturer, for a charge of 25 pence.

Updated discs are sent to subscribers every three months, but extra or updated text can be added to the brochure overnight if required. The Quantarc service is available in the UK now, and should be available in West Germany by the end of the year. The company is also planning to expand its service to cover other brochure-ridden industries.

Foreign words put on credit

NO European summer holiday will be complete this year without the latest in electronic wizardry – the French or German dictionary on a sliver of plastic the size of a credit card.

Developed by Sharp, the Japanese electronics manufacturer, for its IQ electronic organiser, the two cards are based on Harrap's dictionaries, and intended to replace the well-thumbed pocket reference books. Both cards store over 150,000 translations, and if a word is spelled incorrectly it can throw up similar words as a suggested alternative.

Contacts: Rustol Chemicals: Japan, 03 564 6251. Dest: US, 408 433 2790. Formscan: UK, 0373 61448. Telephone Management Systems: UK, 0202 581 541. Poulter: UK, 0532 832032. Sharp: Japan, 06 621 1221. UK: 061 205 2333.

FINANCIAL TIMES SURVEY

☐ Burton upon Trent: still the brewing capital of Britain — see page 2

STAFFORDSHIRE

☐ The ceramics industry: winning orders world wide — see page 4

Wednesday, June 20, 1990

Staffordshire, for long associated with the traditional industries such as brewing, ceramics and engineering, is attracting new investment. The arrival of Toyota, the Japanese vehicle-maker, will bring an important boost to the area, explains **Stewart Dalby**

Fresh attractions for investors

THE DECISION of Toyota to *build a car plant at Burnaston* in Derbyshire, a few miles across the border from Burton upon Trent, will mean an important boost to the Staffordshire economy. The plant, which occupies 300 acres of a 628-acre site, will cost £700m and employ 3,000 people to produce first 100,000 cars a year, rising to 200,000 in 1992.

The economic change which this will mean for Staffordshire is complicated by the fact that the story the statistics tell is not what observers might expect. With just over 1m people, Staffordshire is both — in population and physical terms — the fifth largest county in Britain. Four-fifths of its 1,000 sq miles are still rural.

But in the popular imagination it is associated with the old declining industries typical of the north of England. Staffordshire has steel, coal, the potteries around Stoke, brewing in Burton upon Trent, and engineering, in part associated with the automotive industry, all over the county. To be sure, these industries did undergo a shake-out in the early 1980s. Coal and steel jobs vanished by the thousands. In ceramics, some 20,000 jobs were lost, leaving some 36,000 employed in the white-wear ceramics industry. The breweries rationalised, too.

Yet, earlier this year at a time when unemployment for the country was 5.9 per cent, it was only 4.6 per cent for Staffordshire as a whole. Even at the height of the recession of the early 1980s, unemployment peaked at 13 per cent in places.

For most of the county it never rose above an average of 9 per cent. Other old industrial areas even in the east Midlands, like Coventry, saw unemployment rates well into double figures.

Staffordshire has developed a tourist industry in the past decade with 10,000 employed in it, but this would not explain the comparatively high employment.

Some 38 per cent of the workforce is still employed in manufacturing with a further, more than 5 per cent in the primary extractive industries. Although the Britannia Building Society, the ninth largest in the country, has its headquarters in Leek and there are other service companies, Staffordshire has hardly become a white collar county.

There are reasons for this apparent low level of unemployment, as will be explained, but one of the consequences of it has been that, for the Conservative governments of the past decade, Staffordshire has not been considered a hardship area; a low wage economy perhaps, but certainly not in need of nursing back to health. Accordingly, it has not had money thrown at it from Whitehall.

Staffordshire can obtain regional selective assistance, and reclamation grants. It also qualifies for European Coal and Steel Community (ECSC) loans and other EC assistance. The county, however, has not seen a flow of big government money in the form of an urban development corporation, for example.

Stoke-on-Trent, the centre of Arnold Bennett's famous "five towns" (actually, there are six) and still the largest town in the county with a population of 250,000, has seen little in the way of urban aid. This, in turn, has meant Staffordshire, although it has attracted its share of small relocations, and although local companies which came through the recession have expanded, has not been prominent as a relocation centre.

Toyota's arrival has not changed the intrinsic merits of Staffordshire. Besides the pots and the beer, as it were, there are a number of well-known industrial names in the county. JCB is just outside Uttoxeter. GEC is in Stafford and elsewhere, there is also Century Oils in Stoke.

What the Japanese company's coming has done is concentrate minds on what an excellent opportunity the county has for new inward investment, job creation and to boost wages and incomes.

The thinking in Staffordshire is that if 3,000 people are *employed directly by Toyota*, then at least 16,000 jobs could be created indirectly. Toyota has not yet said how it will supplying its plant, but many companies in the automotive sector will be hoping it will be through "just-in-time" components under which car-assembly plants are fed with regular supplies from outside rather than holding huge stocks on site.

Further benefits

But there would be other spin-offs. Already Burton has Pirelli, which employs 1,700. Stoke-on-Trent is the base for the Michelin Tyre company's manufacturing headquarters.

For, if Staffordshire has been neglected in the past as an investment opportunity, the lack of attention has also meant that it is now extremely cheap.

Mr Mike Tappin, the leader of the Labour-controlled Staf*fordshire County Council says:* "We are very competitive as a business location."

He is referring to the price of industrial land which indeed is extremely cheap at an average of £125,000 an acre and barely rising to more than £200,000 an acre. Some sites can be bought for as little as £70,000 an acre.

Office rents for B1 properties — that is light industrial or office properties, insofar as they exist in clusters in the county — are below £10 per square foot. The problem with land is not so much its cost, but its availability.

The Staffordshire Development Association, in its promotional literature identifies 550 acres in the county, but this is clearly a notional figure. There is clearly less than this readily available.

Much of the land, particularly in the north of the county is degraded. Mining has caused subsidence, there have slag heaps from the potteries and so on.

Also, the councils own relatively little land themselves. Potential development sites are under mixed ownership — the Severn Water Authority, the breweries, British Rail are some of the owners. They often have ideas different to the local authorities about what should be done with land.

Mr Tappin is aware of the problem which he says is particularly acute in the north of county around Stoke. The land there is fragmented.

Describing his council as "aggressively entrepreneurial," he says: "We must make industrial land available for windfall development. It is not an exaggeration to say we are racing to make land available to meet the demand."

If like many property developers, you believe that location is almost everything then Staffordshire is like its literature says an "ideal business location" — Stoke and Stafford are on the M6; it is close to three airports, Manchester, Birmingham and the East Midlands.

If land, rent and rate costs are attractive, is the labour available? The bald employment figures would suggest that it is not. It is here that apparent anomalies in the figures bear close scrutiny.

The jobs which were shaken out of the ceramics industry were apparently very largely held by women. Many of these did not go on to the unemployment register when their jobs folded. At a time when many city halls and local authorities are actively designing programmes to find mothers who want to work, Stoke is in the very unusual position of knowing it has a resource of up 20,000 women who can be called on.

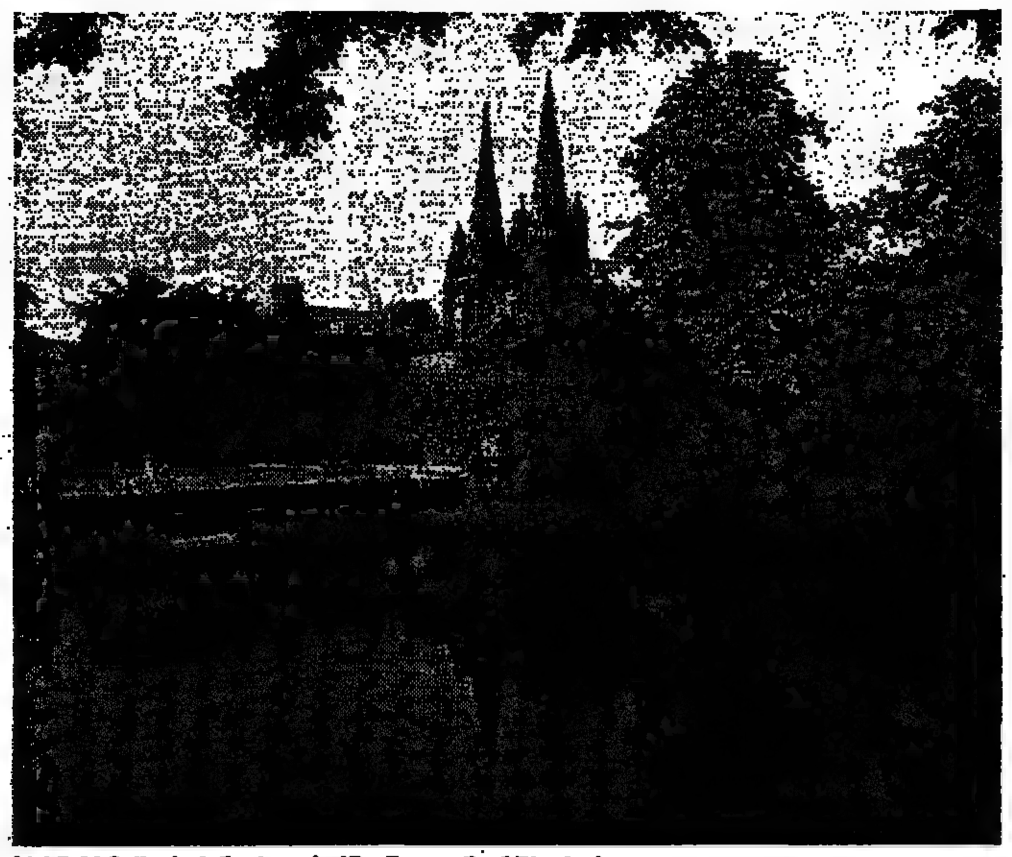
Not only this: Staffordshire is a county of small towns in between large ones. To the north is Manchester, to the south, Birmingham and the West Midlands conglomeration. To the east is the Derby-Nottingham nexus. The county has a large workers emigration. In the south of the county, in particular, people in towns such as Cannock, Tamworth and even Burton, look to Birmingham for work.

There is thought to be a large number of people who travel out of the county for jobs who could be persuaded to work closer to home.

Staffordshire towns: population and employment

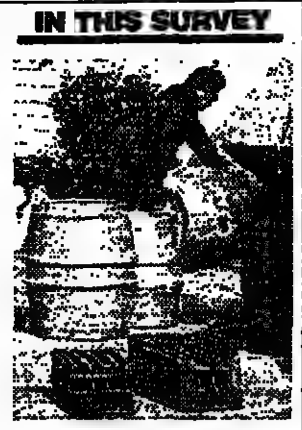
Town and population, 1981	% change in district popn, 1981-89	% unemployment October, 1989
Stoke-on-Trent, 272,446*	−2.30	4.60
Newcastle-under-Lyme, 73,208	−1.0	4.60
Tamworth, 63,260	5.8	8.20
Stafford, 60,915	4.00	3.30
Burton upon Trent, 59,040	−2.40	5.00
Cannock, 54,503	2.20	7.40
Kidsgrove, 27,999	−2.00	4.60
Lichfield, 25,408	6.40	8.20
Rugeley, 23,751	2.20	3.30
Leek, 18,495	0.70	2.90
Biddulph, 16,697	0.70	4.10

*Employment by sector (%) in the city of Stoke-on-Trent, 1987: manufacturing industries, 40.4; high tech industries, 10.9; primary industries, 5.7; construction, 4.7; distribution, hotels and catering, 16.2; retail distribution, 7.6; transport and communication, 4.4; banking and finance, 6.00; other services, 22.5.
Source: Property Intelligence, Town Focus Reports.



Lichfield Cathedral: the town is 15 miles north of Birmingham

IN THIS SURVEY



Burton on Trent is still "the brewing capital of Britain."

Staffordshire is famous for its pottery. Above: a craftswoman at work on pottery moulds.

BURTON upon Trent is as closely associated with brewing as Stoke-on-Trent is with pottery.

For the first-time visitor, it is not hard to see why the image has stuck. Some of the breweries are close to the middle of town, near the station and the main roads in and out, and is thus the first feature one sees on entering Burton – while the pungent smell of brewing is, of course, unmistakable.

The reason brewing started in Burton is that there is something, literally, in the water. The monks of Burton Abbey, – founded by Wulfric Spot in 1002 – found that the water from artesian wells around the town had a special quality which made it especially suitable for fine beers.

They did not know, at the time, what made it "special." Much later it was discovered the water was rich in minerals, notably calcium and magnesium salts.

In 1295, the beer from the

Brewing began in Burton upon Trent almost 1,000 years ago

Brew House of Burton Abbey was noted for its excellence, but at the dissolution of the Abbey in 1545, the Brew House and the ales passed to Sir William Paget, secretary to Henry VIII. During the 16th century, many small inns and ale houses were opened in Burton. By 1600, it was estimated that the 1,500 people of Burton were supplied by no fewer than 46 licensed victuallers.

Today, there are a still plenty of public houses in Burton (although there are relatively little drink-related crimes or social problems, it seems.)

Burton remains indisputably the brewing capital of Britain.

Stewart Dalby looks at the town's changing employment scene

Burton still 'the brewing capital of Britain'

The number of large brewers, because of mergers, acquisitions and rationalisations, has come down to three. These are Bass; Ind Coope, which is part of Allied Lyons; and Marstons.

Although brewing is a main employer, there are large concerns in other industries. Pirelli employs 1,700 people in Burton, and there other well-known national companies such as Tate and Lyle, BTR Silvertown, Triplex Lloyd which have a presence in and around the town. JCB is in nearby Uttoxeter.

Now, with Toyota setting up a car plant in Burnaston across the border in Derbyshire, Burton confidentially expects to see an influx of companies wanting to be near.

Toyota is expected to start producing in 1992 initially 100,000, and then 200,000 cars a year and employ 3,000 people, *(see report on facing page).*

Burnaston is less than four miles from Burton. Many companies are looking to set up along the dual carriageway A38 which goes past Burton directly to Burnaston. The expectation is the A38 will become a mini-industrial corridor. Some companies such as Ficosa, the Spanish automotive components maker, have already arrived. The company has made a £4m investment in Burton.

Component companies are expected to set up in and around Burton, hoping possibly to benefit from a Japanese-style, "just-in-time" components' delivery.

Toyota has yet to declare how it will get its supplies. But many believe it will go for a "just-in-time" system, whereby car assembly plants are fed with regular supplies from outside, rather than holding huge stocks on site.

Toyota's arrival in Burnaston has created a wider interest in the region. Companies in unrelated fields have realised that East Staffordshire is around Burton is a good investment location.

Land is cheap, communications are good, labour tends to be cheaper than the West Midlands, housing is considerably cheaper than the West Midlands.

Business rates under the new uniform business rate are also thought to be cheaper in Staffordshire than Derbyshire. A study undertaken for the Staffordshire County Council estimated that rates overall had fallen by 1 per cent in recent years.

This was not true of all types of businesses. Retail business saw a sharp increase in rates between 1973 and 1988. But manufacturing companies had seen a substantial drop.

A problem in the past has not been so much the price of industrial land, but its availability. Partly because of mixed ownership, and partly through lack of demand, very little serviced land has become available.

In order to hasten the release of land, the East Staffordshire District Council has set up an interim planning strategy, which could by-pass some of the usual planning bottlenecks. The small committee set up to run the strategy has indentified some 400 acres would could be brought into use fairly quickly.

This includes some 150 acres Shognail and Branston, and a further 100 acres which could be used at Barton under Needewood. These sites could form the basis of the A38 industrial corridor.

As for labour, although Burton has low unemployment of around 4 per cent, it has a greater than usual potential travel-to-work area.

Mr Fergus McMorrow, the Economic Development Officer for the East Staffordshire District Council, estimates there is a travel-to-work-area for 150,000. Burton's population is just over 60,000. A lot of people currently go south to Birmingham and to the West Midlands conurbation to find suitable work.

Many of these people might be glad to work closer to home – but one thing is certain: they will not want for a pint of bitter or lager if they work in the greater Burton area.

Road and rail communications

Networks are under strain

Environmental groups are poised to unify protests once new road plans are more firm, says Robert Waterhouse

STRATEGICALLY, Staffordshire can have little complaint about its communications. The county is bisected north-south by the M6 motorway and the InterCity West Coast main rail line. Birmingham International Airport serves the south of the county, Manchester Airport the north.

The dualled A38 links the West Midlands to Derby and the M1, via Lichfield and Burton upon Trent, while the A50 Derby-Stoke-M6 route is in the process of being dualled. Only Leek, in the relatively isolated Staffordshire Moorlands, is any distance from national networks.

But these networks are under strain. Between Birmingham and Manchester the M6 carries traffic volumes so heavy – up to 100,000 vehicles in a 24-hour period – that the Department of Transport (DTp) is implementing a £480m programme for widening the motorway to four lanes in each direction between Junctions 11-20 (Cannock to Lymm).

Construction work could start in 1992, with completion by the middle of the decade.

The DTp also believes Birmingham-Manchester to be ripe for a private-sector toll road, as suggested in last year's consultation paper "New Roads by New Means". Early in April the Transport secretary, Mr Cecil Parkinson, invited outline tenders from consortia to build and operate such a road, setting an application deadline of June 29 and an expected invitation deadline of December 1990.

In other words, the Transport Secretary, under political pressure to provide more road-space, is pushing ahead with the Birmingham-Manchester concept in all haste, following a consultation process which, Mr Parkinson claimed, showed "wide support" for the Green Paper's aims.

However, the idea has not been so warmly received in Staffordshire and Cheshire, where DTp scouts are already investigating potential road lines on both sides of the M6. In the words of one expert, the proposal has blighted both counties.

Environmental groups are poised to unify protests once plans are more firm. Staffordshire County Council has yet to take a position.

The first private-sector toll route is already under way in the West Midlands. The Birmingham Northern Relief Road runs largely through Staffordshire and will form the north-east segment of Birmingham's outer motorway box. In April, Mr Parkinson named three short-listed consortia who must return tenders by October 3.

The winner will be announced early next year, with completion envisaged by the mid-1990s.

This stretch of motorway is seen by the West Midlands Development Agency as cementing the links between the West Midlands conurbation and Derby, increasing the competitiveness of the local automotive components industry in supplying Toyota at Burnaston.

British Rail's West Coast electric service, once the benchmark of modernisation, has been eclipsed by the East Coast Kings Cross-Leeds-Newcastle route.

By European standards, the two-hour journey from Euston to Stoke is slow. More importantly, the Government has yet to decide how, or even if, high-speed infrastructure between the West Coast route, the London termini and the Channel Tunnel will be financed.

The international passenger train sets due to run between Manchester and Paris or Brussels will call at Stafford (not Stoke) before being linked with the Birmingham sets at Rugby, but could circle London at an ignominious crawl via Willesden Junction.

North Staffordshire MPs put together an unsuccessful case for Longport, near Stoke, as an international rail freight depot. The depot will go to Crewe, serving as the consolidation point for the whole North West region.

Despite loss of face, North Staffs has the comfort of being the closest conurbation to Crewe, and the opportunity to service an overnight market which extends to Lyon or Frankfurt. Conversely, of course, Continental firms will be able to reach Staffordshire with equal ease.

Communications within the Potteries are more complex. The conurbation is unique in that it doesn't have a natural focus – Hanley was a created "city centre" much to the disgust of Stoke itself, Tunstall, Burslem, Fenton and Longton - but has retained thriving industry throughout its urban sprawl.

Constant heavy traffic beats its way through streets designed for the horse and cart. Commuters must queue morning and night in single lanes at unsighted crossroads. Buses get stuck in the jams. And environmental conditions for communities built around factories bearing household names, like Wedgwood and Doulton, are increasingly unnacceptable.

The ceramics pot-banks cannot be moved out on to green field sites; for better or worse, people will go on living near them. So something has to be done about North Staffs' traffic. And although Stoke-on-Trent City Council believes itself particularly poorly served by the system under which approved local road schemes get Transport Supplementary Grant (TSG) funding from the DTp, there is a growing acceptance that more roads will not in themselves solve the problem.

Last January, Mr Parkinson met a delegation of North Staffs MPs armed with briefing papers supplied by the city council. These demonstrated at Stoke's TSG spend for 1990-1 per head of population (£1.17) compared unfavourably with all-comers.

The county-wide spend for Staffordshire is £2.82 per head; English shire counties are spending £3.95 per head. But metropolitan districts with similar populations to Stoke are in a different spending league: Newcastle upon Tyne, for instance, has £8.92 per head, Salford £10.66.

Mr Parkinson was impressed. He informed MPs that he would take a favourable view of increased roads capital spending bids for next financial year.

Staffordshire has responded by compiling a £20m shopping list compared with £15m last year, including several new North Staffs routes, for its 1990-91 submission.

Simultaneously, the county council is joining with Stoke on Trent City Council and Newcastle-under-Lyme Borough Council to fund a £100,000 study of Light Rapid Transit (LRT) options for North Staffordshire.

Rather late in the day, Stoke feels it should be considered for LRT status. Consultants will be appointed by this autumn. The Greater Manchester Passenger Transport Executive, whose on-street supertrams should be running by 1992, have been asked to advise.

It is by no means certain that the report will recommend fixed-rail vehicles for North Staffs. An attitude survey carried out for the county by Steer Davies & Gleave showed that most people who used public transport preferred the idea of better buses.

Vehicles using separate, raised track were also popular, much to the delight of Briway Transit Systems, who produced a report for Stoke showing how their monorail might fit in.

British Rail, too, recently completed a review of local services with the thought of possibly re-opening several of the commuter stations closed in the Beeching era.

But perhaps the most relevant research so far is a feasibility study under way by Colin Buchanan & Partners for PMT, the local bus operator, on installing a computer-based urban traffic control (UTC) system to make better use of existing road space.

PMT believes the £10m system, monitoring traffic flows and co-ordinating traffic signal responses, will be shown to "pay" for itself in 18 months and thus qualify for 100 per cent DpT funding.

The bus operator, which runs a profitable commercial service since deregulation, believes its vehicles will benefit greatly from freeing up of traffic throughout the day (Stoke's flows do not tend to have high peaks or low troughs).

Buses, tracked or guided in urban centres, with reserved lanes on the principal corridors, could emerge as the main contender for LRT infrastructure investment because they come nearest to offering an alternative to the motor car.

Buses have an image problem, even in Stoke. They need to be better-built, quieter, less polluting, and running to timetable. North Staffs – hilly and dispersed – is just the sort of place where the bus could again come into its own.

Brewers invest in new plant

BREWING in Burton goes back to the monks of Burton Abbey who started making beers in 1002. The relatively modern industry, however, dates from 1777, during the reign of George the Third, was quarrelling with the American colonies. William Bass, the owner of a local carrying business, decided to open a brewery in Burton upon Trent.

During the 18th century much of the export business was to Russia and Eastern Europe. The Baltic trade was brought to an end by the Napoleonic wars.

Michael Thomas Bass, William's son, had to find new markets. India provided the answer. A new beer was needed to slake the thirst of the thousands of British soldiers, administrators and their families who were being sent out as their colonial influence spread.

The beer had to be light, but bitter. The result was East India Pale Ale, later abbreviated to India Pale Ale then to plain IPA. The beer turned out to be an instant success and thousands of bottles and barrels were shipped out through Liverpool and Hull.

A fortunate accident developed the home market. In 1827 a cargo of 300 casks was wrecked in the Irish Sea. The salvaged casks were auctioned in Liverpool to pay the underwriter's costs. The buyers sold the beer over a wide area – and soon India pale Ale caught on.

Michael Thomas died in 1827, and was succeeded by one of his sons, Michael Thomas the second, who turned out to be a great Victorian entrepreneur. Using the boom in the railways to the fullest extent, he vastly expanded the business.

When William Bass first started the company his output was a few hundred barrels each year. By 1877, before Michael Thomas died, the company was producing nearly 1m barrels a year.

In 1962, Bass and Mitchells and Butlers, a large West Midlands brewers, merged, and 1967 joined forces with Charrington United Breweries to form Bass Charrington, and become the largest brewer in the UK. Later the word Charrington was dropped but the famous red triangle trade mark persists.

Today, Bass activities include hotels, off licences, bookmaking, amusement machine manufacture social clubs, snooker and squash clubs and leisure complexes.

In Burton, it is a large employer with 2,200 on the payroll. The commitment to Burton is great. Bass has opened and runs the Burton Brewery Museum which covers the whole brewing process. It recently invested £23m in a new high-speed canning process.

Ind Coope, the second largest brewer in Burton is part of the Allied Lyons group. It, too, has a continuing commitment to Burton. Of Allied's six breweries in the UK, Burton is by far the largest according for 40 per cent of production.

Mr John Hayward, the commercial manager, says: "Allied has shown its commitment by investing £55m in the past six years in new facilities and improving old ones on this 76-acre site."

Part of the investment is in new production lines which means output of more than 2m barrels a year. Ind Coope employs 1,060 in Burton.

The third of the large companies is Marstons which is 37 per cent owned by Whitbread. Marstons employs 500 people and produces some well-known beers, including the famous Burton Bitter.

S.D.

Robert Waterhouse highlights Japanese car-maker's plans

Well placed to benefit from Toyota's arrival

WHEN assembled worthies flashed silver spades at the Burnaston Toyota plant's ground-breaking ceremonies on June 4, few failed to note that earth-movers had beaten them to it by millions of cubic feet.

While Derbyshire's engaging leader County Councillor David Bookbinder continues to make the headlines, few fail to note that Staffordshire is ideally placed to benefit from Toyota's arrival. The county sits between Derby and the West Midlands conurbation, astride the all-important A38; 'just-in-time' components suppliers read on...

A boom in Japanese business card translations and packaged trade missions has yet to produce firm contracts anyone owns up to, or many inward investment signings.

Toyota deals a friendly hand in such matters, issuing advice and encouragement to potential partners. It is anxious to prove "a good European," despite French disbelief. The company prefers not to encourage a new diaspora of Japanese investment, but rather to effect arrangements and joint ventures with firms already established here.

Toyota has completed its initial survey of 2,000 European suppliers, and is in the process *of finalising a shortlist of 300.* The stakes are high. Toyota UK's chairman, Mr Junji Numata, is on record as saying that spin-off jobs could be three or four times that of direct employment at Burnaston (an estimated 1,900 by 1995 when Phase One is complete and 3,300 with Phase Two).

When commercial production begins in August 1993 Toyota has a commitment to using 60 per cent EC-generated content, a ratio rising to 80 per cent two years later.

Staffordshire-based companies which stand to benefit include Pirelli at Burton-on-Trent, Michelin at Stoke-on-Trent, Evode at Stafford, Rists (Lucas Body Systems) at Newcastle under Lyme and Tuberex at Hixon.

Because it does not have the concentration of automotive suppliers to be found in Birmingham, Coventry and parts of Warwickshire, Staffordshire sells itself as a manufacturing culture in easy-going smallish towns surrounded by attractive countryside.

The shape of things to come: a Toyota production line. A review of 2,000 European suppliers is under way.

There are, however, two substantial constraints to inward investment which Mr John Brisby, the county's economic development officer, and his colleagues must address. The first – apparent on a quick scan around the county – is the scarcity of serviced sites. The second is low unemployment – about 4.5 per cent in North Staffs and down to 3.5 per cent in the Burton-Lichfield A38 corridor.

Competition for skilled labour is greater that at Coventry, where unemployment still stands at nine per cent, or Birmingham, whose jobless are counted in double-figures in some inner areas.

Mr Brisby says that land issues are being urgently addressed. The county recently compiled an industrial land dossier and is holding a seminar on the subject this summer.

Top-grade sites are available at Fradley Business Park, north of Lichfield (85 acres) and Centurion Park, Tamworth (38 acres). East Staffordshire District Council together with Bass Developments are rushing the 150-acre Branston Business Park to market.

The greenfield site between the A38 and Bass's brewing tower still lacks access roads but Ficosa, the Spanish manufacturer of car accessories, has already signed for four acres nearby. The problem of owners holding onto potential development land seems to be receding as values reach a healthy £200,000 per acre.

On employment, Staffordshire believes inward investors prefer to join a prosperous and confident community so long as labour is not under the sort of pressures seen in the South East. Mr Brisby points to an availability of school leavers, and to the potential of married women returning to work.

Staffordshire, he says, has strong manufacturing traditions in the process of being updated and modernised. New investment fits into this pattern – "the balance is about right," he claims.

Mr Stephen Daniels, East Staffordshire's principal economic development officer, emphasises that Burton, because of its pivotal position between the East and West Midlands, falls within a 15-20 mile range of a huge workforce.

It is tacit acceptance that investment may bring riches to the host communities (particularly those fortunate enough to own land like the 100 acres of Fatholme Farm, between Burton and Lichfied, where the district is minded to grant planning permission for a business park), but that employment may have to come from further afield.

The first Japanese automotive company to establish a Staffordshire base, NTN Bearings, recently moved from Burntwood, near Cannock, into a 45,000 sq ft office and warehouse complex at Fradley Business Park, from where it co-ordinates UK sales worth £12.5m. Showa Plastics, trading as Showpla UK, has opened a manufacturing plant at Cannock, whose second product line will supply the automotive industry.

But attracting investment by the main Japanese automotive operatives – perhaps fewer than ten will follow Toyota to Europe – can be a long, painstaking business fraught with danger. For their own, understandable reasons, Japanese corporations hate publicity until a deal is signed.

The case of Ogihara, the steel manufacturer expected to supply car body pressings to Toyota, demonstrates such dangers. Following months of negotiation, Ogihara was apparently about to sign for a site at Stone, near Stafford, when the news hit the local press in April. Problems associated with the site, widely reported, put paid to the deal. Despite talk about Spain as an alternative, Ogihara is still believed to be interested in Staffordshire – though lips are sealed on the subject.

If the A38 corridor is hastily preparing for battle, the lines on the A50 corridor between Derby and the M6 are far from being mobilised. This is partly because sections of the A50 remain tortuous, with the Blythe Bridge to Queensway bypass of Meir, Longton and Fenton still at least five years away.

Quality industrial land is proving harder to release at Stoke and Newcastle than further south. But the county recognises an opportunity; North Staffs is directly on a line drawn between Burnaston and Toyota's engine plant at Deeside, North Wales.

In the end, the volume of Far East, American and Continental European component investment in the Midlands could depend on how quickly a traditionally parochial industry becomes more global in its perceptions. West Midlands components manufacturers still predominantly sell to UK assembly lines. The growing Japanese hold over UK production – at Sunderland and Swindon as well as Burnaston – comes as a challenge to British quality and enterprise.

Burton upon Trent is Pirelli's UK powerbase

A tyre-maker with panache

EIGHT YEARS ago, in the depths of the recession, Pirelli was forced to review its UK operation. Poor sales – a slipping share of a slithering market – allied to ageing production techniques left Italy wondering about the future of manufacturing in Britain.

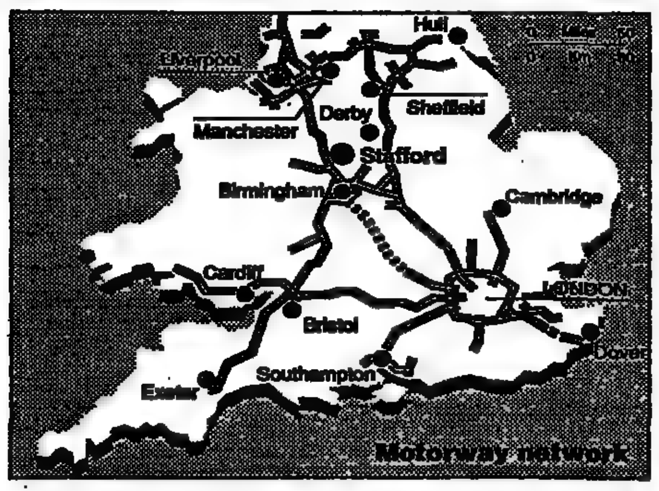
The decision to re-invest at the company's Burton on Trent headquarters and satellite Carlisle factory, £43m between 1983-89, led to new processes and brands, revolutionary working practices, and productivity second only to Brazil in Pirelli's world league. Costs were stabilised at around 1982 levels.

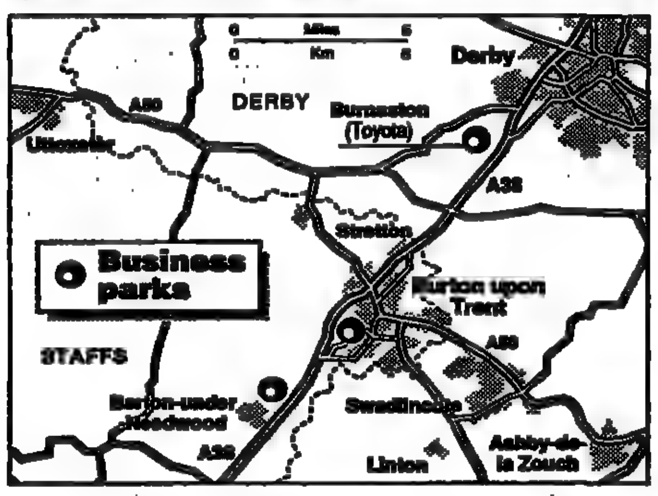
Burton has been Pirelli's UK powerbase since pre-war days. The panache which the company brings to design and marketing, reflected in its newly-clad office building, sits unselfconsciously beside 1930s semis, off the Derby Road.

This particular example of inward investment exudes Midlands solidity down to the company's patient male receptionists. Pirelli employs some 1,600 people at Burton, and currently has a labour turnover of only one per cent annually.

Whether such stability can be maintained when Toyota UK opens at Burnaston, only four miles up the A38, is another matter. Toyota's presence will raise the premium on automotive skills shown in abundance at the Pirelli factory, where the arcane process of tyre production still involves a high proportion of human judgment.

Pirelli's Marketing Manager (Tyres), Mr Peter Tyson, admits that Toyota's arrival nearby is a major opportunity. Pirelli has, of course, been to Japan in this context, and there is ongoing dialogue.





Mr Tyson hopes, at some point to cement relationships, but says "nothing is guaranteed".

Toyota already use Pirelli tyres for motorsport, and Mr Tyson notes mutual admiration between Italy and Japan – style combining with thoroughness and efficiency. The English contribution comes as a relatively low-cost centre, and valuable quality endorsement by Original Equipment (OE) clients, principally Ford.

Pirelli's new-generation P2000 and P4000 low-profile car tyres are fitted to the Rover 214 and 216 range. The company was "Supplier of the Year" to Jaguar in 1987 and 1989, and became the first UK tyre manufacturer to receive Ford's Q1 preferred quality award.

Pirelli supplies 32 per cent of Ford's UK-manufactured cars but 80 per cent of Ford's performance car tyres. Pirelli expects to win 23 per cent of the UK's OE sales market of 7.7m units in 1990 and is a major influence over customer-choice when it comes to replacements. Some 40 per cent of total UK tyre manufacture goes for export.

Like Ford, Pirelli has computerised its factory-floor. The workforce does not sign or clock in – it logs onto the mainframe, which responds with information about the day's tasks and targets. This same computer keeps a record – and print-out where applicable – of every batch operation. Quality control processes, essential with tyre building, can be back-checked to individuals.

Mr Mike Brown, a works manager, says that innovatory practices, including seven-day round-the-clock working, were brought in without any loss of production. Information, openness and involvement has, he suggests, paid dividends. Quality circles equip and motivate, but learning to recyle waste is just as important for the bottom line.

Mr Brown spends a large proportion of his time shepherding visitors, particularly customers, round the Burton plant. It's a two-way public relations act – "we like customers to see the factory," he says, "but we also like the factory to see customers".

Pirelli manufactures any of 300 different car tyre shapes and sizes on a just-in-time system activated by sales orders. Until it is cured, rubber has a fairly short shelf-life.

The Burton plant produces some 200 different rubber compounds from a combination of natural and synthetic materials, of which 50 might be used in an average day. Each car tyre demands about 12 different rubber compounds, while truck tyres need 18.

Truck and bus tyre manufacturing is a small but important part of the Burton operation, a factory within a factory. With less than ten per cent of the UK truck market share, Pirelli's hopes are pinned on its latest Zero Degree process, so called because tyres incorporate additional rubberised steel cord bands on each shoulder in parallel with the direction of travel. They help tyres maintain a constant profile at speed, reducing wear and improving mileage.

Pirelli's style appeal to the top end of the car market doesn't necessarily work for trucks. Truck tyre buyers, in Mr Tyson's experience, are users, not consumers. They want hard evidence on cost per mile before they outlay £400-plus on a tubeless heavy goods vehicle tyre. Pirelli is asking a premium for its Zero Degree products, but believes that end costs will win a growing market share.

Recent speculation on hostile bids to prise Pirelli away from its founding family and their protective syndicate of Italian industrialists does not perturb Burton-on-Trent – "one of the world's greatest mysteries is who owns Pirelli," says Mr Tyson.

Burton sets its standards against the company's other European plants, and its ability to compete with Michelin and Goodyear.

As the car market moves inexorably towards "quality" and customisation, Pirelli's elegance – a curious virtue for re-inforced rubber linking steel with tarmac – is seen as a winner.

Robert Waterhouse

Stewart Dalby highlights some surprising leisure projects in former industrial areas

New developments in tourism

STAFFORDSHIRE, like other counties, towns and cities associated with declining industries in the north of England, has found that in seemingly redundant premises, and unused land it still has an important resource, which can contribute to the new and growing industries of tourism and leisure.

Former belching factories, empty warehouses, and dark satanic mills can be - and have been – turned into museums and heritage centres which people want to visit. Old, worn out sites have become leisure centres.

The benefits to the local economy of creating something new in the tourism/leisure field from derelict areas was brought home to Staffordshire by the National Garden Festival in Stoke-On-Trent in 1986.

It cost £9.37m to stage the four-month festival, although this was not the final cost of running and operating all the events. Some £5.1m came from the central government and almost all of this was spent on reclaiming the 164-acre site. The rest came from city and county councils. The festival had all kinds of activities and displays, including a large cable car system, 87 theme gardens, pottery exhibitions, a marina and nature trails and evergreen trails.

Around 2.2m people visited the festival. It did not quite cover its costs, but the point was made: apart from providing an incentive for the reclamation of derelict land, it also meant a higher quality of landscape than would normally have been the case. It also created some 430 long-term jobs and pumped millions into the economy. Most important of all, however, its legacy was a £100m development on the expanded 177-acre site.

The developer is a local one, St Modwen, and when completed the area will include an £18m leisure centre operated and managed by the Rank Organisation. This will embrace an eight screen cinema, a 30-lane bowling alley, a 120-metre ski-slope, and a ski lodge. There will be a 180-room four-star hotel, retailing and office complexes and some residential development.

Few towns want permanent garden festivals since they use too much land, require too much attention and give too little return over the long-term. However, there is little doubt that in this case the festival was a catalyst for the development of Festival Park.

Mr Bryan Carnes, the Director of the North Staffordshire Chamber of Commerce and Industry, whose office is in Festival Park, says simply that "without the garden festival we would not be sitting here now."

If the festival itself was a temporary phenomenon, Staffordshire is dotted all over with museums and exhibitions testifying to its industrial past. In Stoke, there is the Gladstone Pottery Museum where there are demonstrations of traditional skills in the original workshop. The Wedgewood company has a visitor centre at Barlaston, just outside Stoke. In the past year, it had 180,000 visitors many of them groups of American matrons and senior citizens and clusters of Japanese as well as French and German visitors.

In Burton, there is the Bass Museum of Brewing which was established in 1977 to celebrate the company's bi-centenial. Housed in old maltings it follows the brewing process right through and has steam engines, dray horses, a Victorian bar, and audio visuals detailing the history of the Bass family. Burton also has the Heritage Brewery Museum which, it is claimed, is Britain's first working brewery museum. There is a mining museum at Chatterley Whitfield in Stoke; plus glass blowing at Tutbury, close to Burton, and various other arts and crafts centres, as well as factory shops.

Important though industrial heritage is to the growing tourism, there are three other areas of significance:

First, like York or Chester, the county has places of great historical interest. Lichfield has a 12th century Cathedral, and at Tutbury, the remains of a 15th century castle where Mary Queen of Scots was imprisoned. The Tamworth Castle Museum is thought to house one of the few surviving Shell Keeps in Britain. Shugborough is the ancestral home of Lord Lichfield, and has a good collection of 18th century paintings, silver, ceramics and French furniture.

Second, alongside the stately homes and castle have sprung up (again, like Chester and York) a number of modern visitor-attractions. Chester has its zoo and York its JorVik Viking centre. Staffordshire also has Alton Towers. This, it is claimed, is Europe's premier leisure park with over 100 attractions themed into the former estate of the Earls of Shrewsbury. Alton Towers attracts around 2.6m visitors a year with the main "season" lengthening all the time.

There is also Drayton Manor Park and Zoo. This is set in a 160-acre park with over 40 rides and attractions.

Third, there are the traditional outdoor holidays. Arnold Bennett, Stoke-on Trent's famous writer described Staffordshire as "England in little, lost in the midst of England." Staffordshire is largely rural, it has the Peak District National Park, the Staffordshire Way, which is a 92-mile walk and Cannock Chase, a former hunting park.

With all this – but excluding the various water parks and leisure centres in the main towns – Staffordshire has a tourism industry which in 1987 had a turnover of £100m, and employed around 10,000, serving 10m visitors. Half of the revenue came from day visitors, with £36m from staying visitors and around £11m from foreign visitors. Although tourism is not a major employer for the county, it is nevertheless a significant sector. It emphasises the point that the days when "industrial" meant industrial and "tourism" was tourism – and never the twain shall meet – is long gone.

Young people at Alton Towers theme and leisure park and, right, a tranquil scene at Minster Pool, Lichfield

CERAMICS INDUSTRY

A world leader in fine china

THE SIX towns which make up the Stoke-on-Trent conurbation are famous for a number of reasons. It is the home of two Football League clubs, Stoke and Port Vale. It is where one of Britain's most famous footballers, Sir Stanley Matthews came from. It also produced the distinguished writer, Arnold Bennett who chronicled the commonplace happenings of the ordinary folk in the area.

But mostly it is indeliably linked to the potteries industry. The image of bottle kilns belching smoke over rows of back-to-back houses, as captured in Victorian prints and recorded by Bennett, has given way to a modern technological industry. But the identification remains strong.

According to the City of Stoke-on-Trent Industrial Handbook, archeological discoveries now preserved in the City Museum and Art Gallery, there is evidence to suggest that pottery-making activities were in existence in the early Bronze age and at the time of the Roman occupation. Other documentation shows that in the 13th century coal was being extracted to fire the potters kilns. The three essential ingredients of the embryonic pottery industry – coal, water and clay – were immediately to hand in and around Stoke.

As a cottage industry, pottery got underway in the 17th century, when Burslem became the centre of the "butterpot" industry, making tall cylindrical containers for market towns throughout the Midlands. During the 18th century, tea-drinking became very fashionable, and porcelain cups were preferred by those who could afford them. As a result, porcelain was imported in greater quantities forcing British manufacturers to compete with this fine-bodied ware.

The Stoke potters answer to matching the characteristic whiteness of china began with a mix of fine sand or calcined flints with local clay followed by a change to white pipe clay from Devon and Dorset.

The final solution, however, lay in the discovery of china clay and china stone in Cornwall which was shipped to Liverpool, then by river, canal and road to Stoke-on-Trent.

By around 1750, the first porcelain was being made in the district, and by 1800 bone china was being produced by a number of local manufacturers.

Before then, related manufacturing and the advent of steam power meant that more and more factories related to pottery had sprung up. The improvement in communications in the 19th century saw the industry further expand. By 1906, 400 factories employed around 50,000 people who collectively were producing 184,000 tonnes of ware.

The most recent and arguably the greatest shake-out has taken place over over the past ten years, starting with the recession of the early 1980s.

Probably some 20,000 jobs have been shed from the whiteware ceramics industry. There are now around 36,000 people employed in the whiteware industry, which covers domestic and table ware, ornamental figurines and trinkets, and tiles and sanitary-ware.

If non-whiteware goods and related engineering and marketing activities are included then probably 70,000 people are employed in the ceramics industry. It is easily the dominant industry in Stoke.

The sector has rationalised considerable. The British Ceramics Manufacturers' Federation now has 65 members compared with 200 a few years ago – this is only a rough guide since not all ceramics concerns are members. One of the giants Wedgewood, for example, is not a member.

A number of smaller concerns did go under in the early 1980s, but others did not: Aynsley China was part of the Waterford Group until a managment buy-out worth £17.5m in 1987. The group employs 850 and is growing. Another company which was formed in 1981 and has grown dramatically is Astral International which specialises in decorative telephones and table lamps.

The big three of whiteware ceramics are Royal Doulton, which includes the Minton and Royal Crown Derby ranges, Wedgewood, and Royal Worcester Spode. Not all of Royal Worcester is in Stoke, of course. But all three have close links with the potteries area.

The industry has sales of around £860m worldwide, a breakdown of these sales emphasises that while Stoke and its companies are dominant in the quality, fine china sector they are not so prominent in mass tableware markets or in tiles or sanitaryware.

Of the total sales worldwide of £857m for 1988, some £493.7m were accounted for by fine quality table ware, and giftware, figurines and so on. Tiles and sanitary-ware combined amounted only to slightly more than half this at £286.8m.

Nor are the Stoke companies as yet heavily involved in industrial ceramics. In 1985, sales of industrial ceramics were worth £76.7m of which £24m were exports.

Mr R.O.Collins, the Industrial Development Officer at the Stoke City Council estimates that there is a world market worth £20bn – "at the moment, the Japanese have 50 per cent of the market; and the US 40 per cent. Ceramics have a wide use in industry, in aircraft, in defence, even in cars."

Stoke, with its tradition of skills in ceramics, obviously has the potential to expand in this field. The city is involved in research through Ceram and through Staffordshire Polytechnic.

Ceram Research, the industry's independent research organisation which is based in Stoke, is managing a range of products, some funded by the European Commission. Ceram will look at developing, among other things, composite/reinforced ceramics and cermets – materials mid-way between metals and ceramics that will allow more efficient joining of metals an ceramics.

Stewart Dalby

There are now around 36,000 people employed in the whiteware industry, which includes domestic table-ware, ornamental figurines as well as sanitary-ware and tiles.

Success with high-quality exports

THE BRITISH ceramics industry at the quality-end of the market is dominated by two giants.

Royal Doulton China, which is a subsidiary of the Pearson Group, claims 40 per cent of all English China output and some 50 per cent of Britain's ceramic sculptures.

Put another way, sales in 1989 were £201m out of a total of just under £500m. Some 50 per cent of what Royal Doulton produces is exported.

Wedgewood accounts for 25 per cent of all British ceramic tableware and for 25 per cent of its exports.

Both companies have long pedigrees and close associations with Stoke and "the potteries." Wedgewood was founded by Josiah Wedgewood in 1759. He was the youngest of the 13 children of Thomas and Mary Wedgewood of the churchyard pottery in Burslem, Staffordshire. Wedgewood has been part of the Waterford Wedgewood group since 1986.

The three oldest companies within the Royal Doulton group can also trace their histories back hundreds of years, although Royal Crown Derby, founded in 1748 was not originally a Staffordshire group.

The Minton company was founded in 1793 by Thomas Minton and developed by his son, Herbert. It dominated the industry during the middle years of the 19th century.

The Doulton group has its origins in John Doulton who, in 1815, invested his life-savings in a small Thames-side pottery in London. Sixty years later his son moved to Stoke.

Royal Doulton is not only the biggest in terms of sales, it also employs the most people. In 1989, Royal Doulton employed 8,000 in its 11 factories and distribution companies worldwide.

Wedgewood employs 7,000 in its 13 factories at home and abroad. A distinguishing feature of Royal Doulton is that it does not manufacture abroad.

Not only is Royal Doulton, with a product range of 40,000 items, the largest fine china maker, it is also, according to Mr Stuart Lyons the Chairman and Chief Executive, the most successful – "in 1989, we increased our trading profit by 36 per cent to £23m.

"Our return on capital employed rose from 15.5 per cent to 22.5 per cent.

"I consider this quite an achievement at a time when companies like Laura Ashley and Coloroll are having great difficulties.

Royal Doulton has experienced the growth for three reasons, according to Mr Lyons: □ First, it has invested heavily in new manufacturing technology. Although this meant a shedding of workers a few years back the numbers are now rising.

□ Second, it has paid great attention to design, expanding the range in places.

□ Third, it has continued to develop its distribution network at home and abroad.

The last two factors of design and distribution are especially important. The British companies have a strong, almost unassailable position in the domestic market because in the UK, bone china is considered a British product.

But competition in the main export markets – the US and Japan – is keen. West German and Japanese companies are continually making inroads in these major markets.

"The design demands are different in the various markets," says Mr Lyons. The Japanese, for example, are keen on intricate detail, while the Americans favour designs they can easily associate with England, like traditional rose patterns.

S.D.

Hampstead Parochial for the Cup

Pavarotti singing "The boys done good and got the better of a goal-less draw," even in Italian, would not, of course, have quite the same drama or depth of emotion as Pavarotti singing "Vincero! Vincero!" from the sublime "Nessun dorma" aria which opens Act 3 of *Turandot*. On the other hand, it would have the virtue of greater truth. This snatch of the aria is being used by the BBC as its World Cup signature tune so we hear "Vincero! Vincero!" before every match they show. The word means "I will win," but the trouble – or so it seems to a tyro who only ever sees soccer on television, and even then only on supposedly grand occasions – is that so little winning occurs.

Three teams from the British Isles are playing in this contest, two of them (England and the Republic of Ireland) in Group F, and how many wins do you suppose there have been in Group F as I write? Correct – none. Every match has been drawn and, as often as not, no goals were scored. The tedium of all these hours of activity with no sort of score has to be experienced to be believed. The time has surely come for a radical revision of the rules; they need to adopt the Hampstead Parochial system.

At Hampstead Parochial, the only place I ever actually played football, we had three arrangements which made our games more interesting than anything seen in Italy in the past 10 days. First, there were rarely equal numbers of players in the two sides: you played with the people you liked (or, in my case, those who would tolerate your lack of skill). Second, nobody had to hang around endlessly in goal: one person called a "rush goalie" was expected to dash back and stand guard when danger threatened. Third, the girls – who were no more allowed to play with the chaps then than now – used to vary the width of the goals by surreptitiously shifting the piles of coats and satchels (whatever happened to satchels?) while play was at the opposite end.

For some reason the size of the goal was increased more *often than* decreased, and the outcome was some interesting scorelines. At morning break a reasonable result would be something like 17–11, and at dinner time (there being no such thing as "school lunches," only "school dinners") a score of 42-28 would not be unusual. If FIFA could be persuaded to vary the numbers in the World Cup teams, do away with goalies, and get some girls (Cagliari University is full of stunners who would look terrific in big close-up) to move the goal posts, then we could begin to get some Parochial style scoring and this four-week extravaganza might start to become attractive.

The trouble is that soccer begins, in any case, at a major disadvantage to such sports as tennis or snooker where television is concerned. In those sports the screen can encompass the entire area of play without reducing the human form to a meaningless dot, and the television director can get rhythm and texture into his coverage by cutting from a big close-up of a player who is about to perform, to a medium shot which perhaps includes his opponent, then to a picture of the entire area of play, and so on.

With such techniques television has managed to create its own versions of snooker and tennis which, while they may not give the viewer the atmosphere of being there, provide other benefits which are not available to the paying spectator. However much you pay for your seat you cannot see the play from five or six camera positions, nor zoom in to a close-up on a competitor's face

Maradona looks for more divine inspiration

at a critical moment, nor pull out to a wide shot to get an impression of the entire stadium or auditorium.

With soccer you see the whole stadium once in a blue moon or, to be precise, once during half-time if you are lucky. *The sense of* "being there" can be much enhanced by such a shot, or by the very occasional glimpse of the stands caught by a camera as it happens to pan with a running player. I *think* the fans have been performing some rather impressive Mexican Waves in Palermo, but it is hard to be sure. And because of the nature of the game there are very few close-ups, let alone big close-ups: most directors will only risk such a thing when play has stopped for injury or, very occasionally, when a player is taking a long time over a throw from the touchline. Coverage of virtually the entire game consists of *medium longshots showing* an area about 20 yards square, and that rapidly becomes boring.

Furthermore, however distastefully chauvinistic it may sound, it is hard not to notice that some of the coverage we are seeing from the Italian crews compares badly with what we are used to at home. Unfortunately this seems to apply most when matters are at their most interesting: again and again when play moves into the penalty area the camera loses the ball. Thus neither of the two most notorious instances (well, alleged instances) of handball so far – from Maradona and Lineker – both within a few feet of the goal, was properly captured by any of the cameras.

Soccer commentators seem sublimely indifferent to all the ridicule and parody heaped upon them as the years go by. When the United Arab Emirates scored during Friday's match against West Germany, Trevor Francis declared in ITV's *World Cup 90*: "I'm sure the Emirates are delighted but it could be the worst thing they've ever done." This bizarre remark was never explained. Of Paul Gascoigne, Terry Venables said in BBC1's *World Cup Report*: "The boy's a very sensitive boy." During Saturday's England/Holland match the BBC's top commentator John Motson assured us "There's no doubt who's made the better statement in the first 12 minutes," and then, 12 minutes into the second half, still with no score: "Now may be the time to test the Dutch even further." None of this testing or statement making could hide the fact that at full time we had yet another nil-nil draw.

And as for chauvinism, of Friday's Germany/Emirates match, Rodney Marsh (presumably) said: "It was like a Panzer division marching against Europe." As the Egyptian lads held the Irish lads to yet another goal-less draw on Sunday, one of the ITV commentators (not Brian Moore and therefore, presumably, Ron Atkinson) said: "Normally you'd expect a team of their sort of nationality to wilt under that sort of pressure, but they haven't."

Moore himself is calm and comparatively fair as British commentators go, yet even then you realise that there is never any doubt about whose side he is on. "Just five minutes of the game left," he warned anxiously on Sunday, "just that one breakthrough the Irish want." Precisely the same could have been said of the Egyptians, but no British commentator would ever say it.

In the end the tedious lack of goals, the often irritating camera work, and the commentators' more ludicrous words are as nothing compared to the chasm of hypocrisy lying between what television likes to pretend is going on in Italy and what common sense tells us is actually happening. The idea that the World Cup has anything much to do with the old ideals of sporting excellence – that taking part is what counts, and proving via the playing field that men can curb their warring instincts and compete internationally under a civilised set of rules – seems quite absurd when you watch the perpetual fouling on the pitch and, off the pitch, the behaviour of those who wrap *themselves in their countries'* flags and have to be taken to and from the game by armed guards.

To be fair, television does at least show us the tear gas and the drunks as well as the lads who come good and done great out on the park where it really counts, Brian. But as the Sixties' habit of sentimentalising the working class antecedents of soccer finally begins to lose popularity, one does start to wonder whether it might not be a good thing if television were to change the sport out of all recognition, as it is said to change all the sports which it takes up. It is hard to imagine how any changes wrought by television could be other than improvements.

Christopher Dunkley

The Sleeping Beauty

COLISEUM

The Sleeping Beauty is chief among the Kirov Ballet's ancestral treasures. To stand on the Kirov/Mariinsky stage and know that here was the birthplace of this supreme masterpiece, is to sense a frisson of history. To see the staging trimmed and cramped at the Coliseum is to doubt the wisdom of touring this great act of dance faith at all, when its essential spaciousness is denied. It is a spaciousness you can appreciate in the video recording made at the Kirov with the glorious Kolpakova as Aurora a decade ago. At the Coliseum on Monday night, for all the expansive grace of the dancing, the production had a makeshift air, without room for enough dancers (save in the flower waltz which was overstuffed with smirking tots) to tell of majesty of form as well as of theme, and with musical elisions that diminish Chaikovsky's genius.

Of course this staging *reflects the amendments* brought by generations of its producers, but the cursory hunting scene in Act 2, where the peasant *musette* was once a joy of the production, and the loss of the knitting women's scene in Act 1, as well as musical and choreographic cuts in Act 3, all crowd incident in a ballet where the dance and mime should have room to breathe. Decoratively the Virsaladze designs appear less good than they once did, though still ideal in concept; the costumes seem increasingly trumpery, the wigs a madness of cotton-wool.

And yet, and yet. When we see dancing as light and as grand as that of the prologue Fairies, we can forgive the loss of choreographic detail (and the text sometimes looks as if individuality has been ironed out by the overall serenity of the style) because of the exquisite ease of such executants as Tatiana Rusanova and Irina Sitnikova. And when Altynai Asylmuratova enters as Aurora, the manner of the staging, the classic distinction of the company, are crowned by her interpretation.

Perhaps one ought not to judge this presentation save as an unsatisfying copy of an original whose existence on its home stage speaks of the nobility and harmony of its native city. The truth of the production is to be comprehended in the Kirov dance style, which itself reflects Leningrad's own marvels of space and light, architecture and history. With Asylmuratova's dancing, as with that of her colleagues, the ballet is renewed. Yet she is an Aurora different from any I have ever seen: more feminine, more bewitching in grace, more opulent in manner. Aca*demic rectitude there is in her* setting out of the dances, but also a richness of physical nuance that opens out as the torso curves, movement flowering through waist and bust into shoulders and arms. It is a marvel of *epaulement* – with beautiful oppositions of limbs and trunk which colour any action – so that Aurora's variation in the third act becomes far more sensually aware in its charm than is customary. The role is vividly, unforgettably alive.

Her Prince was Konstantin Zaklinsky, handsome, attentive, his interpretation, like his dancing, always distinguished. The Lilac Fairy was Yulia Makhalina, young and gifted, and giving her reading the serenity of splendid line and triumphant technical resource. The Carabosse, Yelena Shertynyova, demonstrated a suitably vile temper and a nice command of furious gesture. Not to be crossed! The divertissements in the third act I thought rather mere, and the court chamberlain, Catalabutte, is surely guilty of an appalling solecism by always wearing a sword at court.

Clement Crisp

The Fall of the House of Usher

UNION CHAPEL, ISLINGTON

As part of the Almeida Contemporary Music Festival, and stretching at least one of those last three words to breaking point, Music Theatre Wales gave the London première of Philip Glass's opera in the production by Michael McCarthy from last year's Vale of Glamorgan Festival.

Compared to earlier Glass works heard here, you might argue that *Usher* – first heard in the US two years ago – marks a step forward, in that something occasionally happens in the course of its 90 minutes. A bass note steps sideways; a key changes almost as unexpectedly as to warrant the word "modulation"; an instrumental solo over the whingeing ostinatos breathes the merest hint of counterpoint; three voices singing together suggest some sort of tension, however primitive.

You might argue back that the more the sound is discussable in terms that have served Western music for 600 years or so, the less adequate it becomes – at least when there wasn't any music at all, you knew you were in the presence of something special. Here the sheer banality of the writing and its inadequacy to subject matter as dense as Poe's are put under the most merciless of spotlights.

The story is given dramatic form by the introduction of William, a childhood friend of Roderick Usher, who is summoned to the House and arrives in the first scene like Britten's Governess in *The Turn of the Screw* ("Nearly there," he sings), and we are similarly encouraged to suppose that some of the events are the product of his own fevered imagination. There any similarity ends: Arthur Yorinks's libretto is deliberately written in flat, cliché-ridden, bathetic syntax.

There is little to say about the production team and cast other than to admire their guts. Within an ingenious tower-set by Richard Aylwin, McCarthy directs his singers in a series of zombie-like movements with much significant brow-furrowing. Julian Pike (Roderick) has to pull some perfectly horrible faces, which he does to a certain effect. Mary Seers (Madeline) is confined to wispy movements in a Charles Addams frock and airy vocalise. Words from the others come and go, dependent on the whim of the sound engineer.

The audience, not looking like the usual Glass fanatics (Glass-ouijans?), was held breathless. For others, if such there be, I should mention that there is a repeat performance this evening, and the production then moves on to Bracknell, Orkney, Dartford and Cheltenham. Those who think of Glass as one of America's least happy exports, like Andy Warhol and napalm, have been warned.

Rodney Milnes

May Days

ROYAL COURT

The Royal Court's Maydays season is an unusual event: a series of dialogues, sacred and profane, from, in theatre's own terms, the sacred and profane. Julie Burchill, Manfred Karge and shadow Arts Minister Mark Fisher are up and running; Roger Scruton and the Bishop of Durham are to come.

At least no-one could accuse Max Stafford-Clark, the season's architect, of failure to *countenance an opposition to* the season's unspoken premise: the theatre is, spiritually and financially, in a mess. It needs gimmicks such as this to raise its profile above the muddy waters of financial crisis.

In the context it is hardly surprising to find arts sponsorship itself in the firing line. Doug Lucie's *Doing the Business* sets a lefty director against a reptilian sponsorship consultant. In the background hang four posters which summarise the current state of play: two from Kenneth Branagh's Renaissance Company and two Jeffrey Archers; a little unfairly to Branagh, one feels, *who has certainly found* a way of doing his own thing, whatever one thinks of it.

The director – Nick Dunning, who bears an unnerving resemblance to whichever it is of the Bartle, Bogle, Hegarty advertising partnership who gets so regularly wheeled out to expound on the state of the art – runs what his interlocutor would dismiss as "a worthy little touring company," specialising in new writing. It is an allegiance which introduces a chin-jutting sneer to the facial repertoire of Nicholas Woodeson's unctuous, platitudinous consultant (both are impeccably drawn in Mike Bradwell's production.)

Lucie manages, for several minutes at a time, to observe the principle of allowing the best lines to the devil: the connection between jobs, reputation and customers cannot be easily denied, albeit in the *worst of all possible worlds*. In the absence of open-handed arts sponsorship, the undeniable, unpalateable truth is on the side of the sponsorship hunter: "You need me. That's what you can't stand."

The scheduling of Lucie's piece an hour on from Sue Townsend's *Disneyland It Ain't* raises a more complex issue than is intrinsic to either of the pieces – how to prioritise the various functions of a supposedly civilised society. In Townsend's simple and sentimental lament, the mother of a dying child beseeches her daughter's idol, a cartoon mouse, to pay a bedside visit *before she administers a final*, fatal cocktail in the absence of hope or support. They have travelled to America for this last treat, on money raised by local wellwishers. Carol Hayman and Nigel Whitmey, do sterling work with a piece which opens a huge festering sore on the communal conscience but finally, through lack of space and sinew, merely teases its surface.

Claire Armitstead

Oxford Cameos

ASHMOLEAN MUSEUM, OXFORD

This small exhibition – one mahogany display case crammed with cameos and one most unusual painting by Rubens – is a delight. The cameos are not the familiar, insipid 19th century earrings and brooches cut from shell or coral, but Roman gems in semi-precious stone and glass – tiny pieces of perfection. The collection of Derek J. Content and his family, now on long loan to the Ashmolean (*and on display to September* 30), must be the best in private hands of these little known treasures.

Cameo cutting, invented in the time of Alexander the Great and perfected by the Romans, uses the different veins of colour in such stones as onyx and sardonyx or in layered glass (like the Portland Vase) to produce exquisite miniature reliefs.

We are so accustomed to large Roman sculpture, wall paintings and mosaics that it is easy to dismiss cameos as minor art. That misses the point. See them rather as exquisite private art mirroring *the daily life and preoccupa*tions of well-off Romans. Roman ladies wore gems of Athena or Hermes for protection, like a cross round the neck today. The hero Heracles ensured courage and perseverance and Amazons foreshadow militant feminism. The god Dionysos presided over fun parties,and wearing a Medusa mask warded off trouble.

In the Renaissance antique cameos were highly popular. The Rubens picture "The Cameo of Tiberius" is a handsome if technical painting of one, and will be a great surprise to those who think only of his bosomy women. In lieu of tax it recently reached the Ashmolean from the estate of Christopher Norris, the Rubens scholar.

The picture is a version of the largest ancient cameo to survive, now in the Bibliothèque Nationale and earlier in the Treasury of Ste Chapelle in Paris, where Rubens' friend Nicholas-Claude Fabri de Peiresc discovered it. He identified the scene as the apotheosis of the emperor Augustus. It is now thought to show Germanicus saying goodbye to Tiberius (Augustus's successor) and his mother Livia, surrounded by others of the imperial family. It is a fascinating example of Rubens's passion for antiquity, as different from his other works as Piranesi's drawings of Etruscan bronzes are from the Carceri series. It makes wonderful sense when seen with a dazzling display of cameos.

Gerald Cadogan

Nikolai Demidenko

WIGMORE HALL

The young Soviet pianist Nikolai Demidenko gave a brilliantly memorable recital at the Wigmore Hall on Saturday night. His items by Schumann, Skryabin and Chopin formed a programme which was satisfying as a whole, but without undue thematic insistence. About each item he had something new to say and a commanding way of say it.

For instance, he made his opener, Schumann's *Arabesque* in C, sound sound like a completely new piece by drastically marking down the composer's metronome marks to something near an Andante tempo, dwelling lovingly on the numerous *acciaccature*, and squeezing out the music's last drop of reflective lyricism.

He brought a vast deal of dramatic life to the opening movement of Schumann's F sharp minor sonata, and precisely observed the "senza passione, ma espressivo" of the *Aria* second movement.

The long, diffuse fourth movement defeated even his keen musical intelligence, however. He played it with earnest commitment and a *vigour* sometimes verging on the brutal, but it rambled.

The storminess of passages in Skryabin's two-movement Sonata No. 2 – an impressionist sea-diptych – found him comfortably in his element, but his virtuosity is never merely exhibitionistic and was wonderfully employed in the immensely notey Presto second movement simply sustaining the texture.

Chopin's *Fantasy* in F minor received a magnificent reading – emotionally bold, formally supple, tinged with improvisa*tory freedom*. His early and modest *Variations on a German National Air*, delivered here with supreme elegance, seemed to have been included as light relief but led on to the more substantial, though still early, variation set by Chopin, that on Mozart's *Giovanni* duet *Là ci darem la mano*, which Demidenko rendered with faultless panache.

Working his way for encores through Prokofiev's *Visions fugitives*, he tantalisingly suggested himself as near-ideal exponent of this composer's piano music.

Paul Driver

SALEROOM

Ahead of the crowd

Hats attracted attention in more places than Ascot yesterday. Christie's South Kensington secured an auction record of £19,800 for a hat, or rather for a non-military hat, (Napoleon's famous headgear has made more), or rather for a bed cap. It was made around 1600 in England and is in near perfect condition, which accounts for the price. It was bought by the New York dealer Cora Ginsberg.

A rare Carolingian manuscript, in near perfect condition, sold for £638,000 at Sotheby's yesterday. It was written at Reichenau, the Irish semi-island community on Lake Constance in the early 9th century, and is the Pontifical of Salomo I, Bishop of Constance. It has 116 leaves. The price was within estimate.

On Monday night Christie's kicks off London's big week of Impressionist and modern picture sales, with Sotheby's weighing in the next day. There is nothing on offer to rival the paintings sold in New York in May, which led to an auction record price of $82.5m for Van Gogh's "Dr Gachet," at Christie's, followed closely by the $78.1m Sotheby's achieved for Renoir's "Au Moulin de la Galette," but there are enough important works to gauge whether the market is still strong at the top.

All the signs are that there are buyers for the very best Impressionist and modern paintings, but that now these buyers are in the driving seat. Both Sotheby's and Christie's have managed to persuade vendors that they must curb some of their expectations and fix more reasonable reserves, and estimates, on their offerings. The frenzy of a year ago is conspicuously absent.

Perhaps the most interesting painting is a very early Picasso on offer at Christie's. Dated to 1901 it shows children playing with boats on a lake and is closer to Van Gogh in the brilliance of its colours. It could make £6m. There is an 1878 Monbet "A travers les arbres" (around £2.5m) which is interesting in depicting the Ile de la grande jatte, the island subsequently made famous by Seurat. A fellow Pointillist, Signac, is represented by three works, each estimated at between £1m and £3m.

There is a pretty Renoir of bathers (up to £4.5m) which once belonged to Jack Cotton, the property developer, and a record is anticipated for Ben Nicholson – up to £500,000 for an unusually large picture of 1956, "Boutique fantastique." Fauve paintings have risen rapidly in value in the past year and "Nature Morte" by Vlaminck could make £3.5m.

Antony Thorncroft

ARTS GUIDE

June 15-21

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is musically interesting and well directed by Trevor Nunn. A cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes both Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).

The Wild Duck (Phoenix). Peter Hall's revival of Ibsen's tragicomedy champions the great Norwegian's humorous potential. Alex Jennings, David Threlfall and Nichola McAuliffe head the cast (071 240 9661).

Absurd Person Singular (Whitehall). Robust revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. (071 867 1119).

Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the sobriety of which belies its preproduction hijinks. Sarah Miles left the cast, but Richard Harris stayed to give a star performance as the nobleman who thinks he is an 11th century king (071 867 1116).

Vanilla (Lyric). Heavy-handed satire on New York super-rich and US-backed overseas dictatorships, directed by Harold Pinter, with a cast including Sian Phillips, Joanna Lumley and Gwen Humble, who do New York writer Jane Stanton Hitchcock prouder than she strictly deserves (071 437 3686)

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel brings alive the 1930s in its squalor as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises *the descent into madness* of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. A contemporary crew of Broadway aspirants lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Starlight Express. Andrew Lloyd Webber's roller-skating musical slides into Washington on its national tour. Ends July 14. Kennedy Center Opera House (467 6700).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. The National Theatre (265 7411) has a "kabuki classroom" that consists of a lecture *demonstration followed by one* of the most famous plays in the repertoire, *Kanjincho (The Subscription List)*. An excellent introduction to kabuki. At Kabuki-za (541 3131). Excellent earphone guide in English and English-language programme.

Peer Gynt (in Japanese). Japan's most famous director, Yukio Ninagawa, tackles Ibsen's "unstageable" masterpiece, with a cast headed by a popular young rock singer. An interesting idea that is let down by the cast's inexperience. Aoyama Theatre (201 7777).

South Pacific. Emile Belcourt and Gemma Craven lead the cast from the recent London revival of the Rodgers and Hammerstein musical. Koseinenkin Hall (587 5444). *Opens Wednesday*.

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday June 20 1990

Opening skies in Europe

BY BINDING themselves legally to liberalise air transport from the start of 1993, European Community ministers have displayed welcome decisiveness on an issue which has for too long been subject to procrastination and woolly compromise. However, it would be premature to conclude that the stage is now set for vigorous competition and lower air fares.

Indeed, Europe may do well in the next few years just to prevent the mounting financial pressures on the air travel industry from pushing up prices still further. Large investments must be made to modernise air traffic control systems, while the proposed abolition of duty-free sales on intra-Community routes will deprive carriers and airports of an important source of subsidy. In addition, air tickets may become liable to value added tax after 1992.

These extra costs need not, however, be passed straight through to passengers. They can – and should – be absorbed through efficiency improvements by the airlines. Many European carriers have grown flabby after decades of state protection and monopoly privilege. Their scope to trim fat is underlined by comparisons with the US industry, which has been compelled by deregulation to cut operating costs to far below European levels.

The EC hopes to achieve similar results by freeing its carriers from 1993 to compete on each others' national markets, allowing more competition on fares and ending bilateral arrangements for sharing capacity and revenue between airlines flying the same routes. But radical as these reforms may appear, they do not go far enough.

Efficient entrants

Genuine competition will develop in air transport only if the market can be contested by new and more efficient entrants. Authorising more carriers to fly the same routes will achieve little so long as take-off and landing "slots" at European airports are awarded in an opaque fashion which overwhelmingly favours incumbent carriers. Since the number of slots is limited by airport capacity, fairer allocation systems are needed.

The European Commission is considering proposing that a proportion of an airport's slots be put up for auction on a rotating basis. Since airlines presumably price their services at levels which maximise their revenues, charging for slots need not lead to higher fares. However, firm anti-trust measures would be needed to prevent large airlines from dominating available slots by out-bidding or acquiring smaller competitors, as has happened in the US.

Indulgent attitudes

The second obstacle to a free market is the growth of mergers and alliances between European airlines. The risk is that such deals will turn into non-aggression pacts, stifling at birth the competition to which they are supposed to respond. That threat is increased by the indulgent attitudes of most European governments to often heavily subsidised national flag-carriers.

Brussels is due to pronounce shortly on Air France's takeover of UTA and Air Inter and on the link-up between British Airways, KLM and Sabena. These cases pose an important test of EC anti-trust policy and may establish clearer guidelines for industry restructuring. Yet, while effective regulatory controls on mergers are needed, they cannot substitute for competition in the market.

That European flag-carriers have reacted to the prospect of liberalisation by immediately turning to collusion does not suggest that they have the stomach to compete against each other very hard. If they are to face a real challenge, it will probably have to come from outsiders. Yet many smaller European rivals are in poor financial shape and increasingly seeking refuge under the wing of the big carriers.

That leaves non-EC carriers as the only potential newcomers with the strength and the incentive to challenge established market positions. European airlines have long insisted that air transport is a global business, in which mega-mergers are essential to survival. The Community should take them at their word and open its market to international competition.

The pruning of UK defence

THE £600m pruning being carried out on the UK defence budget promises to resolve immediate financing problems, but leaves open the bigger and more important questions of the size, structure, equipment and roles of Britain's armed forces. These are all in the ambit of the Options for Change study under way within the Ministry of Defence since February.

The MoD has insisted that the study is not the same thing as a defence review, which has acquired connotations of pecuniary distress. This year's exercise was dictated not by the need to save money but by changes in the political and military map of Europe.

However, the Treasury began stepping up pressure last year, questioning requirements such as a multi-billion-pound series of anti-armour projects. By ruling out an inflation adjustment in plans for this financial year, it forced the ministry to accept a 3 per cent budget decline in real terms. The consequence of this was the purge announced in the Commons on Monday, achieved principally by cutting short RAF purchases of Tornado aircraft. The whole re-appraisal is looking, after all, like a good old defence review.

Mr Tom King, Defence Secretary, has tried to dampen expectations of quick financial savings. Some changes would entail extra costs, such as housing for troops brought back from Germany, the re-equipping of forces for more mobile roles, and steps to make servicemen's jobs more attractive. Whatever savings are made, the MoD would like to spend them itself. Whether this is reasonable is not worth arguing, since politically it is unrealistic.

Far-reaching changes

The inflation squeeze already prompted the MoD last month to order a freeze on new purchases and civilian recruitment, a messy bit of improvisation while it sorted out its short-term sums. More far-reaching changes are to be expected from the Options for Change review. Mr King is due to give Cabinet colleagues an interim report next month. A full version should be approved later in the year. A blueprint for British forces in Germany is required then as part of new East-West talks on troop levels, following a CFE treaty on conventional arms. In any case the armed forces need to know where they stand.

Political considerations

The scale and nature of cuts have to be measured against a shifting security background. The threat of an invasion spearheaded by Soviet forces in eastern Europe has dwindled to the point of implausibility. On the other hand, the CFE treaty is not yet in place, Soviet troops have another year before completing their withdrawal from Czechoslovakia and Hungary, and may remain for some time in what is now East Germany and in Poland. Soviet military production remains high.

The real decisions may well be made at the last minute and be influenced by political considerations. A firm line on defence has up to now provided Mrs Thatcher with a reliable vote-winner. Now, with a disappearing threat and a more pragmatic Labour Party defence policy, that time may have gone. It is widely accepted that armed forces, especially the more static army units, should become smaller and more mobile, but how small and how mobile, and with what brief, will be the issues over the next four or five months.

Britain spends a bigger percentage of GDP on defence – 4 per cent – than any of its main EC neighbours. Those who think that is much too much have found an ally in Mr Alan Clark, minister for procurement, and a provocative spokesman in Mr George Walden, formerly minister for higher education and science, who in a recent speech advocated "slicing back Britain's defence spending by something in order of a third to a half" and transferring the resources to education. Mr Walden's argument that Britain's future security will depend much less on weapons and "more than ever in the past on our educational, economic and cultural attainments" will hardly be the last word in the debate, but is a useful starting point.

Peter Bruce looks at the fortunes of the peseta one year after the currency joined the EMS's Exchange Rate Mechanism

Spain counts cost of joining the club

Mr Mariano Rubio Jimenez, the Governor of the Bank of Spain, has a talent for understatement that would turn most well-bred Englishmen green with envy. When he suggests something might be serious, it is as well to assume it scares him.

Mr Rubio thinks that proposals from the West German Bundesbank to create a "two speed" European Monetary Union, with Germany and France fixing their rates of exchange now while the weaker Community economies are invited to join later when their inflation rates converge to about 3 per cent, are "serious" and divisive.

As of yesterday the Spanish peseta has been trading within the confines of the Exchange Rate Mechanism (ERM) of the European Monetary System for a year. Now, just as Madrid is beginning to enjoy the fruits of a painful decision to join and surrender its ability to manipulate the exchange rate and force the economy to face up to the reality of economic union and 'convergence', it fears someone may be trying to move the goalposts.

Spain joined the ERM, remembers Mr Pedro Perez, deputy to the Finance Minister, Mr Carlos Solchaga, "for political as well as economic reasons". Spain's first presidency of the European Community was coming to an end and Prime Minister Felipe Gonzalez wanted to crown it with a vigorous demonstration of his pro-Community credentials. But politics only affected the timing.

"What we had," says Mr Perez, "was a system where producers assumed that their inefficiencies in the marketplace would be routinely absorbed by devaluation. But no longer. Now it is clear to them that the only way out is hard work." There are faint but unmistakeable signs now that this message is getting through.

The peseta has been the strongest currency in the ERM since it joined. The Government chose a soft entry by allowing the currency to fluctuate within a 6 per cent band, rather than the 2.25 per cent band now around all the other ERM currencies. Part of its strength is explained by its choice of a D-mark parity of Pta65, in case it needed to devalue, even though the peseta was trading at about Pta62.5. No one in Spain has been the least bit surprised at its strong performance. Had Spain entered at market rates it could have chosen the 2.25 per cent band, but this would have made it more difficult to have achieved appreciation against the D-mark and the French franc, which has been useful

Just as Madrid is beginning to enjoy the fruits of a painful decision to join and surrender its ability to manipulate the exchange rate, it fears someone may be trying to move the goalposts

in lowering the costs of imports and forcing prices down.

For the moment though, Spain's high interest rates are the chief cause of the peseta's strength. With three month interbank rates of 15 per cent and inflation at an annual 6.8 per cent, real interest rates in Spain are still two or three points higher than in West Germany. But the effect has been to cheapen greatly imports and to force Spanish industry to begin competing on its home ground.

In May, for the first month in seven years, there was no inflation in Spain and though it is months too early to be sure, both the Finance Ministry and the Bank of Spain are increasingly hopeful that the worst of the inflation nightmare is passing.

That is why Mr Rubio and other senior economic planners are angry at suggestions that the Community now split up into two tiers; the 'chosen' low inflation countries like West Germany, France and the Beneleux countries, and the rest. "It is unthinkable that Spain will have the same rate of inflation in 1993 as it has now," the Governor says.

There is an obvious loss of competitiveness because of the strong peseta but both Government and central bank officials believe that, in the short term at least, it is a price worth paying. Many of the worrying developments in the economic aggregates rose after entry a year ago but have begun to slow again.

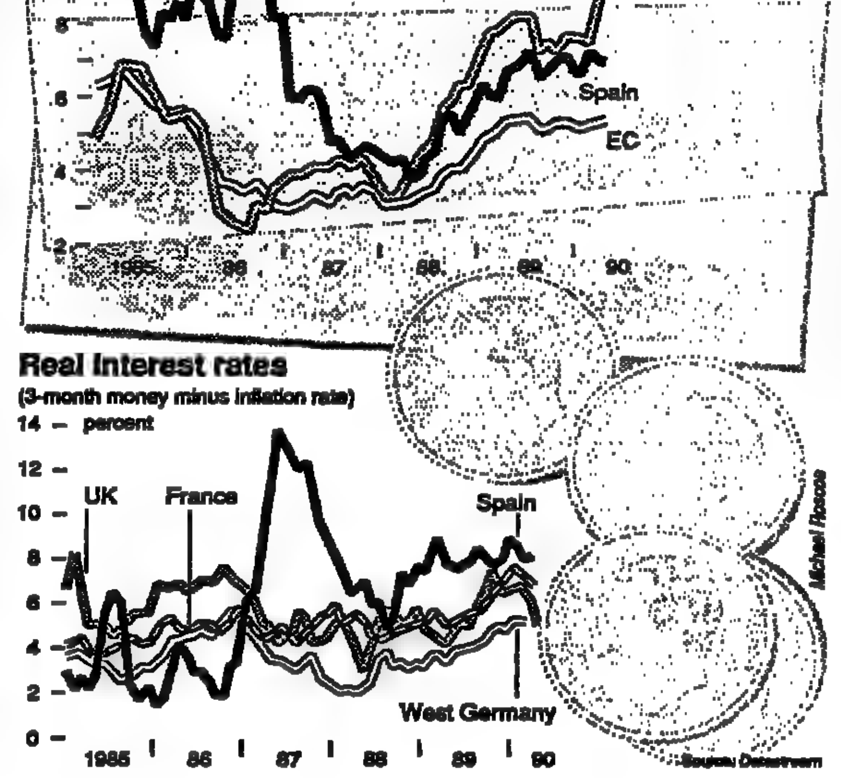
Spain went into June 1989 with inflation running at an annual 6.9 per cent and rising fast. It touched 7.4 per cent in August but has now slowed to 6.8 per cent. Speculative capital inflows pushed central bank reserves up from $44.5bn last June to $46.7bn in September. Now they have steadied back to $44.6bn. Growth in the broad money supply measure stood at an annualised 13 per cent last June, rose to 13.6 per cent in July and has since dipped sharply to about 8.6 per cent.

The Spanish balancing act is extremely delicate. The peseta is being allowed to stay strong (though outside the ERM it would be stronger) while high interest rates and bank lending restrictions are slowing down the economy and easing the drain on the current account as imports cool. The idea is to bring the pace of economic growth down to about 4 per cent but, says Mr Perez, "we are not trying to depress the economy. We are trying to move from an excessive situation to a normal one."

The Finance Ministry and the Bank of Spain differ slightly over quite which weapon is being most effective so far in slowing inflation – the Governor leans towards the exchange rate and the ministry towards high interest rates and credit restrictions. But Spain's year in the ERM still provides valuable lessons for the British Exchequer as London decides when best to join.

Most Spanish officials argue that there is no particularly magic economic moment in which to enter. The Spanish, as Britain is doing now, flagged their decision weeks in advance and if their experience a year on is any guide, the exchange rate effects of promising to enter the mechanism and actually being in it are hardly different at all. Neither, judging by Spain's experience, does there appear to be much point in fixing ERM parities too distant from the market rates prevailing just prior to entry.

Madrid has also discovered that its 6 per cent band, or the top half where the peseta has stuck, is a good weapon against inflation. From an operational point of view, however, the Spanish claim the effects of entry into the ERM have been excellent. "The (local) money market has calmed down," a central bank official says. "Entry into the ERM means that now there is a playing field with known limits." Before joining the ERM, the Bank of Spain intervened daily in the market: in the past 12 months it has intervened about 70 times and in much smaller volumes than it would normally have.



Mr Perez agrees. "Speculative movements against the peseta have fallen significantly in the last 12 months," he says. "We are defending our exchange rate much better and it is clear that if you are going to practise exchange rate discipline it is much cheaper to do it inside the system."

Cheaper for the government, perhaps, but industry, as intended, has been hurt by the strong peseta and high interest rates. Credit to the private sector in May 1989 was growing at 20 per cent: last May it was up just 11.9 per cent on the year. Housing starts and car sales are down. Industrial production is sluggish. With exporters struggling, the current account deficit will rise to a record $16bn this year from $11.2bn last year. A novelty, though, would be that the rise would be no worse than forecast in January.

But if the Spanish fiesta is ending, the Government at least wants party-goers to be able to leave under their own steam, which is where the ERM is a critical counterbalance. "We are not prepared to pay the British price," says Mr Rubio, of a strong free-floating currency that devastated parts of British industry in the early-1980s.

Although some economists still make a case for even higher interest rates, Spain's monetary policy options have probably been exhausted by EMS membership, the existing high rates and credit restrictions. Every time the Bank of Spain has to intervene to soften the currency by placing pesetas in the market, it damages progress made on controlling the supply of money and delays any fall in interest rates.

Luckily for economic planners, Madrid can still greatly tighten its fiscal belt. The Finance Ministry has undertaken to end the year with a zero balance on its interest-free Treasury account, meaning that although it can borrow from the Bank of Spain during the year it has to pay the money back quickly, thus forcing it deeper into the expensive debt markets.

And this year, promises Mr Perez, public spending will grow less than inflation. "It is a real fall," he says. Last year the Government budgeted for a 15 per cent increase in spending but managed to hold the actual increase to 13.5 per cent. Although high revenues have helped Spain to reduce its public deficit by more than half to about 2 per cent of GDP, until now actual public spending has been growing faster than GDP.

Britain has neither a public sector deficit nor does it control capital flows, and as Madrid is discovering, meeting its commitment to eliminate capital controls by 1993 can place great upward pressure on the currency.

In April, the Bank of Spain lifted two important controls, making it possible for non-residents to hold convertible interest bearing deposits worth more than Pta10m and allowing foreigners to make repurchase agreements on government securities. As a result, in the same month some $2bn flowed into convertible peseta accounts and the currency is now trading at under Pta62 to the D-mark (Pta61.1 brings it to the 6 per cent limit).

If Mr Rubio has nightmares, they may be about arriving at January 1 1993 with high government borrowing blocking a fall in interest rates and no capital controls left to protect the currency. With high interest rates, the problem then would not be capital flight but, as now, to control the inward flow of money. Far from frightened off by the April experience, however, the Government is even talking about lifting all capital controls before 1993.

That will depend on the unions, however. Partly to offset the need to make deeper cuts in public spending and thus slow down the modernisation of the country's infrastructure, the Government is also trying now to convince the trade unions to accept a wages pact in which pay increases above the rate of inflation will be matched by increases in productivity. Not everyone is impressed.

"It (a wages pact) is a very slim reed on which to hang the remains of the fight against inflation," says Mr Jaime de Pinies, chief economist at Chase Manhattan Bank in Madrid. "Getting inflation down to 6 per cent would be a good thing but we need to get it down to 3 per cent and I don't see the policies in place to do it."

But the Bank of Spain and the Finance Ministry will hold on to all the collected weapons in their anti-inflationary armoury. Spain has 30 months now to 'converge' its economy with the low inflation EMS members before lifting capital controls.

"It is inconceivable," says Mr Perez, that Spain could free capital movements in 1993 without the differentials being reduced. The fact that France has been able to cut inflation to 3 per cent with controls in place encourages Madrid. "The conditions that make high interests rates necessary here have not yet disappeared," says Mr Perez, but "France did it in three years, so it can be done quickly."

OBSERVER

Honours for Fulbright

■ J. William Fulbright, the former Democrat Senator from Arkansas who led Congressional opposition to the Vietnam War, would like to be remembered for contributing a different legacy to history: the Fulbright scholarships.

Now 85, the crusty southerner who grew up in a small village in the Ozark mountains, talked this week about the international educational exchange programme which he set up in 1946 – and which is now under threat through US budget constraints.

The Fulbright programme was not created with Fulbright family money, but through an amendment to the Surplus Military Goods Act in 1946 which converted allied war debts to help finance the scholarships. It was not a fit of post-war American generosity, he insists, but an intelligent investment aimed at promoting a more peaceful world.

Since its inception, more than 180,000 students have benefited from the Fulbright programme – one-third Americans and two-thirds foreigners. Fulbright alumni include Alexander Yakovlev, President Gorbachev's top adviser who studied the New Deal at Columbia University in 1959; three members of the Polish Government, and the majority of the South Korean Cabinet.

Today the programme is no longer self-financing. Fulbright complains about US budget cuts which threaten to cut the number of participants by nearly a quarter over the next few years. The West German Government now contributes 80 per cent to the programme. "We were the richest nation, and now look what happened to us," Fulbright says.

Next week the Senator will travel to Pembroke College, Oxford, which he attended as a Rhodes scholar in the late 1920s, and where the quadrangle will be named in his honour. On June 28 he will receive an honorary doctorate from Moscow State University in recognition of the Fulbright programme and his efforts to promote better relations between the US and the Soviet Union.

Catto's letter

■ Henry Catto, the US Ambassador to London, is doing his stuff against American sympathisers with the IRA. He has written – and released to the press – a letter to Mayor Dinkins of New York protesting against a decision of New York City Council to name a street corner in Manhattan after Joseph Doherty, a convicted IRA gunman.

"I cannot urge strongly enough that you and the people of New York City reconsider this action. Mr Doherty is no hero. The IRA is a gang of murderers which deserves New York City's condemnation, not its commemoration," the letter concludes.

Swedish night

■ Financial austerity in Sweden has not yet gone all the way down the line. The country's options market, OM, spared no expense in celebrating its fifth anniversary last weekend.

The exchange transformed Stockholm's ice hockey stadium into a formal venue for 650 guests who ate and drank to the strains of a male voice choir. As the night went on, there was music from the Swedish Symphony Orchestra, followed by a jazz band. A salsa band and dancers led a procession to another part of the stadium where a disco and rock band had been set up and OM's young brokers – the average age of the market's staff is 26 – threw themselves into the boogying. Then

"My staff car's been replaced by a Trabant."

more food, roulette and a free bar.

Olaf Stenhammar, founder of the privately-owned OM, says he is celebrating because, in Sweden's highly regulated market structure, he barely expected to last a year. The fact that his market has survived a turnover tax – imposed to curb what the country's Social Democrat Government saw as irresponsible speculation – was cause enough for a party.

Old soldiers

■ As the British Army of the Rhine begins to think about withdrawing, an old memory comes back. Years ago, I went to visit an army friend near Paderborn. There was not much to do at the weekend, so the army organised a treasure hunt. We drove through cornfields, at least in jeeps if not in tanks, in search of the treasure, wreaking a certain amount of havoc wherever we went. There was not a single protest from the local population, and the army would have been amazed if there had been.

Nowadays you can hardly get away with low flying even for strictly military purposes.

Anglo-French

■ Slightly eccentric gathering at the Beefsteak Club in London on Monday evening. John de Courcy Ling, a former British diplomat and former Member of the European Parliament, called in some of his francophile friends to celebrate the 50th anniversary of General de Gaulle's broadcast to the Free French.

The French Embassy has an excellent after dinner speaker in Anne Lewis-Loubignac, the cultural attaché. She speaks English so well that one detected (I think) a faint Leicestershire accent. It was an example of French diplomacy, she said, to accept an invitation to the Beefsteak at this stage, and an example of English diplomacy to serve lamb.

De Gaulle, she explained, had objected to being buried in the Invalides alongside Napoleon because the Emperor was not a proper officer. He rejected the Arc de Triomphe because it was the resting place of the unknown soldier. Then he turned down the Place de la Concorde on the grounds that it would be too expensive to dig the place up when he would be away for only three days.

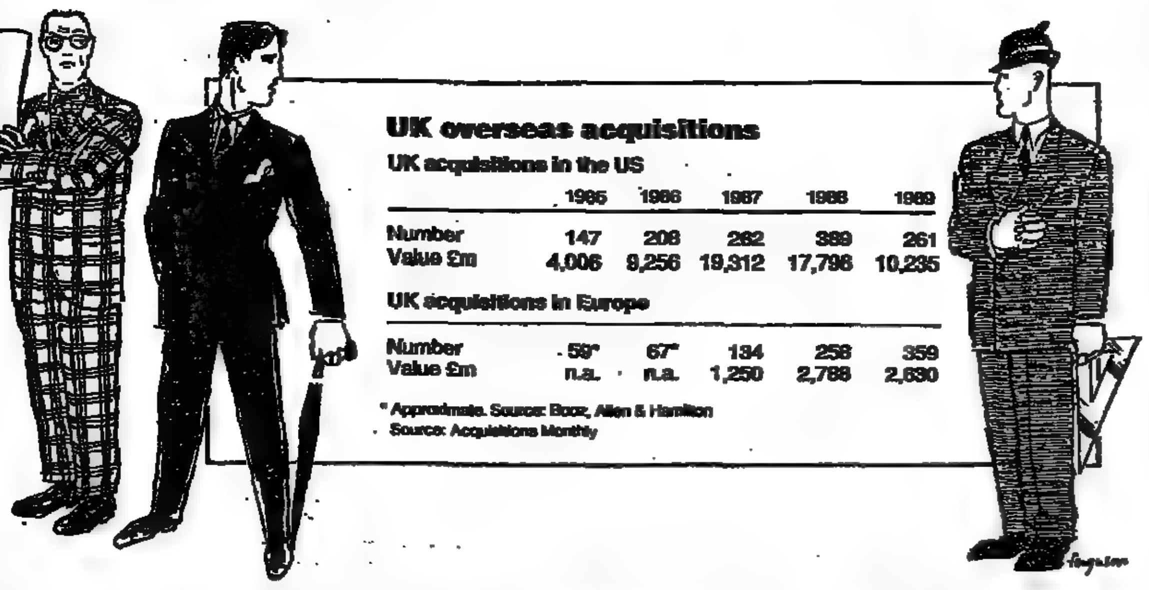
The Courcy Ling dinner will become an annual event.

Legal tip

■ Did you hear about the Russian, Cuban, the American and his lawyer in the same railway carriage? The Russian took a swig from his bottle of vodka and said: "We make the best vodka in the world, and can afford to do this." He then threw the bottle out of the window. The Cuban did the same with his cigar. Whereupon the American, without a word, picked up the lawyer and threw him through the window.

Europe feeds an appetite for acquisitions

Charles Leadbeater says British companies are turning their attention away from the US to the Continent



UK overseas acquisitions

UK acquisitions in the US

	1985	1986	1987	1988	1989
Number	147	208	262	389	261
Value £m	4,006	9,256	19,312	17,798	10,235

UK acquisitions in Europe

Number	59*	67*	134	258	359
Value £m	n.a.	n.a.	1,250	2,788	2,630

* Approximate. Source: Booz, Allen & Hamilton
Source: Acquisitions Monthly

The hunted are turning into hunters. British executives have long complained that they are sitting ducks for takeover by companies marauding across the Channel. But in the past two years they have set out on the acquisition trail themselves.

Last year, for the first time in the decade, British companies made more acquisitions in continental Europe than they did in the US. British Steel yesterday joined the movement with the £105m acquisition of Klöckner-Werke's sectional steels subsidiary at Troisdorf in West Germany.

This appears to be a marked change of focus. The British appetite for acquisitions across the Atlantic is renowned and the UK accounts for 42 per cent of European Community investment in the US.

But British executives appear to have been far less confident of forays a few hundred miles across the Channel. In 1985 they acquired just 59 European companies compared with 147 in the United States.

Last year the rankings were reversed. The number of American acquisitions fell from 389 in 1988 to 261, while the number of continental acquisitions rose by 101 to 359.

The justifications for this change of direction are not hard to find. With the onset of the single European market in 1992 and the opening of the economies in the East, being European has become the emblem of modern management.

But it is not just fashion that is driving the British. In the past few years many businesses have realised that a comfortable 20 per cent share of the UK market might mean just 3 per cent share of a European market. The prospect of a unified Germany becoming the European economy's engine room has exacerbated the sense of insecurity.

Fashion and fear is a potent mixture, but it may not be the soundest base for corporate strategy. Are the British really turning away from the US and how well prepared are they to run European businesses?

In part British companies' turn towards continental Europe stems from a reassessment of their experience on the other side of the Atlantic. The conventional wisdom that Britons should quickly feel at home in the US has not been fully borne out.

Mr Graham Peters, business development director with Cambridge Electronic Industries, which last year made its first acquisition in France after a few deals in the US, said: "It is more difficult to adjust in the States than in continental Europe. People assume US business culture will be broadly similar. They do not think there will be problems, but there are. On the Continent they are always expecting problems, but they are nowhere near as bad as they fear."

The *similarities* between British and north American businesses founded on similar capital markets and a common language can be misleading.

"It is a major failing to mistake the American ability to articulate business school jargon for good management," says Mr Gerry Mortimer, responsible for foreign deals at Smiths Industries, the aerospace and medical equipment group, which has made six significant US acquisitions in recent years. "Taciturn West German engineers may be less impressive on first meeting but they may be more effective."

The differences run deeper than business vocabulary. Medium-sized north American companies, fed on their large domestic market, are far more inhibited than their transatlantic owners. Mr Mortimer says: "They often think it is an adventurous geographic extension to sell in an adjoining state."

However, the movement away from the US is only partial. The average *value of last year's British acquisi*tions on the Continent was £7m, compared with £39m in the US. To take just one example, Smiths Industries' largest acquisition in the US, Lear Siegler, the aerospace company, cost $350m, while its largest acquisition on the Continent, Peter von Berg, the southern German medical equipment maker, cost £13m.

The British preference for light corporate snacks rather than huge meals, reflects the different strategies pursued on *either* side of the Atlantic. European bids are less ambitious partly because of the political and regulatory barriers to takeover in many European countries.

British companies have tended to confine themselves to picking up divestments from larger groups or *medium-sized businesses where* family owners were reaching the end of their careers.

What some might call barriers to management have also made the British more circumspect. Just such a barrier – in the shape of a minority shareholding – confronted Pilkington, the glass manufacturer, after its acquisition of Flachglas, the West German company, in the early 1980s.

Mr Anthony Pilkington, the company's chairman who was recently awarded a knighthood, explained: "Minority shareholders have legal rights to exert a lot of power over management. You cannot do anything which might be judged to harm the interests of the minority, such as transferring glass production between *the UK and Germany.*"

The difficulties and costs of rationalisations involving redundancies have forced acquirers to be more choosy.

Lancer Boss, the Bedfordshire-based forklift truck maker, did succeed in rationalising Steinbock Boss, the West German subsidiary it bought in 1983 which was losing £500,000 a month. Lancer Boss halved the labour force and closed a factory to return it to profit within seven months.

But even Lancer Boss's experience has been mixed. In 1987 it bought Fenwick, the Spanish forklift truck maker. Sir Norman Bowman-Shaw, Lancer Boss's chairman, reflects: "You should try dismissing people in Spain; it is much more difficult."

The risk of getting caught with a *ropy company which proves costly* to turn around, means that the British are not just looking for good businesses but good managers as part of the bargain. This means they are biased towards smaller companies whose strengths may be easier to assess, and weaknesses easier to make good, than larger groups.

Perhaps the most important factors are those which underpin British Steel's plans for international expansion.

In continental Europe it is concentrating on building downstream activities, such as distribution and stockholding, which can be supplied from its UK manufacturing base. Its aim is to open channels into the European market.

But according to *Mr Martin Llowarch*, British Steel's chief executive, it will pursue a different approach in the US. "There we will need a more stand-alone operation, which will not be dependent on supplies from the UK or disrupted by sterling's movements against the dollar." That means deals in the US will probably be larger and more ambitious.

Although British companies are concentrating on biting off manageable mouthfuls, many are only just *considering how to digest European* subsidiaries.

All stress the importance of relying on local managers. Yet companies also have to ensure they control, integrate and motivate continental managers to prevent reliance turning into overdependence.

Siebe, the engineering company which has a turnover of £160m in the UK compared with between £250m and £300m in the rest of western Europe, is one of the few which is attempting to create a cadre of Euro managers. Mr Barrie Stephens, Siebe's chairman, says it eschews nationalism: "They have to realise they are working for an international group."

To breed a common approach each month, senior staff from its international operations gather in New York. All senior managers are on the same payment system whatever their nationality. Research and development is shared by the subsidiaries, so they have to work closely with one another.

However, most companies are less ambitious. Mr Geoff Cullinan, a director of Outram, Cullinan and Company, the management consultancy, says: "The ideal of the pan-European manager is a laudable objective but not one we are close to achieving."

Most companies are adopting a more gradualist approach. Sir Norman Bowman-Shaw believes there are tremendous benefits in mixing business cultures rather than abolishing them beneath a pan-European approach. After bemoaning the inflexibility of German managers, he says: "Mind you the combination of German discipline and British flexibility is superb."

All rely on tight financial systems to keep a close check on the performance of subsidiaries as the foundation for fuller integration.

Unlike Siebe, most accept that man*agement pay has to be tailored to* local labour markets and customs.

Most British executives believe cultural differences, such as the greater stress put upon training in France and Germany, are real but overstated. Although Mr Pilkington admits to finding the supervisory board structure in Germany alien, others say it is more form than substance. It all depends what management wants to make of it. Mr Stephens goes further, suggesting it is easier to run factories in Italy, France and Germany because there are more skilled engineers available than in the UK.

Indeed, the most immediate task facing managers may well be to allay concerns about what lies in store under British ownership.

Stories about poor-quality British goods are less common. The most important differences now are the different priorities in part bred by British and continental capital markets.

Mr Pilkington says of Flachglas: "The pressures on investment are not nearly so short term there. They are far more relaxed; they go for quality first rather than continuous upgrading of profit margins. Earnings per share are not high on their list of priorities; they do not really under*stand us when we talk about that.* They are driven by the long term, by products and customers, while we are driven too much by the City."

British owners may have as much to learn from their continental subsidiaries as the subsidiaries from the owners.

Converting command economies

No capitalism minus capitalists

By Jan Winiecki

One fundamental pitfall on the road to changing command economies to market economies is the intellectual muddle over the relationship between the market and private property. With the collapse of central planning, the left has had little choice but to accept the market but, at the *same time, has been* unable to swallow the idea of private ownership. Left-leaning economists are therefore devising schemes aimed at creating capitalism without capitalists.

Illusions of this sort have arisen before. Lange, Lerner and others imagined that central planning boards would play the role of auctioneer. In response to prices set by the boards, state firms would respond with quantities and price changes to reduce demand or increase supply.

These fantasies were already laid to rest at the time of Stalinist planning. Managers of state firms did not behave the *way they were expected to.* They demanded as much input as they could and produced as little output as they dared. Illusion-spinners had to turn to another theory in which a certain necessary independence for state firms was recognised. Firms were to seek profits. Management was to be decentralised with respect to current production while strategic issues of capital and labour allocation were to remain in state hands. Enterprise behaviour was to be determined by "steering parameters" (wage rates, interest rates, prices, tax rates).

Managers in eastern Europe gladly accepted the new autonomy and used it to their advantage. They changed what they produced to fulfil plans with smaller quantities of more costly products, lowered quality without dropping prices and substituted more expensive pseudo-novelties for standard products. But their attitude to capital did not change. Because the costs of financial failure continued to be nil, managers went on pressing for more of everything. Accordingly, there was excess demand in capital and labour markets, which in turn affected goods markets.

It should have become obvious that without markets in which economic agents risk capital no meaningful improvement in performance is going to happen. But for the Left to accept both private ownership and markets would be for them to prove the adage that socialism is the longest and most tortuous path from capitalism to capitalism – hence their *search for substitutes.*

State holdings are one such substitute proposed in Poland and Hungary. Bureaucratically appointed managers would have almost the same rights as shareholders except that of taking possession of the proceeds of their activity. Their decisions would presumably be taken with due notice of financial attractiveness and associated risk.

The question is: whose risk? State holdings bureaucrats risk nothing of their own in the "playing at the stock market" game. In such circumstances nearly everything seems attractive. Soviet-type econo*mies are littered with examples* of what happens when bureaucrats spend other people's money for which they are not accountable.

There is a world of difference between the shareholder who uses his own knowledge or hires a specialist to play the stock market with his own money and the bureaucrat who risks taxpayers' money. Many left-wing economists are trying to use the market system's shell without the market system's content. The central pillar of the capitalist system is, not surprisingly, the capitalist – the one who risks his own resources and reaps the rewards of success or suffers the losses of failure.

If this crucial difference is not understood in eastern Europe, the illusion-builders now at work could lead some post-Soviet-type economies astray. The cost could well be a decade or more of low performance if not further decay. This risk will remain until the current attempt to find a "third way" – the Holy Grail *of the democratic left* – is abandoned.

The author, an independent analyst from Warsaw, pursues research in comparative systems and East European economics. He also teaches at the Catholic University of Lublin.

LETTERS

We have to play instruments in the band

From Professor F. Giavazzi.

Sir, Your leader, "Talking Up the Pound" (June 15), advocates taking sterling into the ERM "at a high exchange rate and with a *broad band*". You argue that this would keep British interest rates relatively high – a condition, you believe, for the credibility of the new exchange rate policy.

To take this view – like much of the recent UK debate over ERM membership – is to forget that the EMS is not like the London Underground, where you can get on a train at whatever stop you like, enjoy a *fast trip beneath City traffic,* and eventually get off without ever knowing the train's destination. But it is also to be wrong about the proper assignment of policy instruments in a regime of fixed exchange rates and free mobility of financial capital.

Up to 1987-88, the ERM did work like the London Underground: the system offered, to whoever cared to join it, an effective anchor for inflation. The obligations were very small: you could join with a wide band, or a small band; with or without exchange controls. For a long time – up to the *Single European Act* adopted by the EC Council in 1985, and later ratified by member states as an amendment to the Treaty of Rome - the EMS was only an agreement among the central banks.

All this has changed. It is no longer possible to get on the train, looking only for the least crowded carriage; now you are asked to join it in the driver's seat. The rules are tight – no exchange controls; small band. And you had better make sure you know where the train is heading for – monetary union, with few intermediate stops.

In such a company, playing around with the size of the band would be clearly *inappro*priate. Why would you want to keep a wider band? Presumably because you want to avoid the consequences of fixed exchange rates, namely the loss of monetary policy as an *independent* instrument. Not only this would be directly at odds with the current aims of your partners; it is also likely to be ineffective for the short-run objective that you hope to accomplish by joining the ERM: bringing inflation under control.

The larger the band you choose, the smaller the loss of monetary sovereignty that you will suffer. If the band is large enough, and the exchange rate is sufficiently strong in the band, it could fall to the bottom even without a realignment. Thus UK interest rates could stay above German rates.

But you wrote (September 28 1987): if we joined the ERM "in place of money supply targetry, long since discredited, we would have that unflinching guardian of monetary recti*tude, the Bundesbank, stand*ing as guarantor against Britain's endemic propensity to generate double-figure rates of inflation."

I take this to mean that the merit of ERM membership stems from the transfer of monetary sovereignty from London to Frankfurt. If this is what yields "credibility," a large band would damage it.

Yes, joining the ERM would push UK interest rates down. (Notice that this is likely to happen even if the band were relatively large, provided the central parity was credible – witness the Spanish experience, and Italy's, before moving to the small band.)

But with fixed exchange rates and free capital mobility there is very little that monetary policy can do to control aggregate demand – unless you decide to move away from fixed exchange rates, which is precisely what you suggest. Once you credibly fix the exchange rate, there are only two instruments that can help you on the demand front: taxes and government spending.

Francesco Giavazzi,
International Macro-economics Programme, Centre for Economic Policy Research,
6 Duke of York Street, SW1.

Accountants manage too

From Mrs A.L. Rose.

Sir, The Institute of Chartered Accountants in England and Wales is not the only accountancy organisation which has "revamped" its syl*labus (FT, June 14). The Char*tered Association of Certified Accountants, which trains over 80,000 students worldwide every year, has recently done exactly this in order to bring a sharper focus to the management principles and techniques which today's accountants need to use in their everyday working lives.

They are now expected not only to produce financial data, but also to interpret it; to make decisions and to have the management skills needed to implement those decisions.

Also, the association has for years been committed to an "open door" policy, placing as few barriers as possible in the way of individuals who want to qualify as certified accountants. This, together with our comprehensive open learning programme, will ensure that the association is not adversely affected by the projected fall in the number of graduates within the next five years.

Anthea Rose,
ACCA,
29 Lincoln's Inn Fields, WC2

Two-speed traffic would be a pity

From Mr Nick Wright.

Sir, We can compare the recent decision not to fund the "High Speed Channel Link" with Mrs Thatcher's (and therefore the Government's) expected reaction to the forthcoming talks on EMU.

A "two-speed EMU", like the two-speed railway system, may look acceptable in the short term, but soon the detrimental effects to the UK economy will appear.

On the slow track of EMU, UK businesses and traders will get caught up in the overcrowdings of higher inflation; the points failures of currency exchanges; and the delays and cancellations of lost opportunity.

Nick Wright,
6 Wayne Close,
St Peters,
Broadstairs, Kent

From Mr R.M. Bale.

Sir, Mr Andrew Michell (Letters, June 16) draws attention to the different stance of Government (rail) funding 160 years ago. True; but in the intervening period both the pneumatic tyre and the internal combustion engine have been invented and, since the advent of these, only "other people's money" has continued to be invested in rail, producing a nil return on investment.

By using rail, the Channel Tunnel will be only another *ferry, carrying for the most* part pneumatic-tyred vehicles from one side of the Channel to the other.

R.M. Bale,
Rocque Berg,
St Clement,
Jersey,
Channel Islands

From Mr R.H. Foster.

Sir, A high-speed rail link for the Channel Tunnel to London is vital; it is greatly to be hoped that it is in operation before the target date of 1998 (the tunnel will itself be completed by 1993).

However, the established thought of building a brand new line is on the wrong track. A much quicker and altogether cheaper solution would be to lay two new tracks at the side of the existing line from Folkestone to Redhill (59 miles).

This route is lightly trafficked, particularly west of Tonbridge. With one exception it contains the longest straight stretch of railway in Europe, and would be ideal for high-speed (indeed top-speed) running.

Robert Foster,
Winterburn Grange,
Near Skipton,
North Yorkshire

Reserved as an excuse

From Mr Robin Wendt.

Sir, In the public debate earlier this year about community charge levels, county councils were strongly criticised by UK Government ministers for using the introduction of the charge as an excuse to increase their financial reserves.

Figures now to hand, and available to the Department of the Environment, show clearly that the criticism was misplaced.

Twenty-eight of the 39 English counties have either used reserves to reduce spending, thereby reducing their call on community charge payers, or will keep their reserves constant.

County council reserves overall are expected to be some £40m lower at March 31 1991 than at March 31 1990.

Such reserves now represent less than 3 per cent of net revenue expenditure. Given current inflationary pressure, they could be regarded as too low.

Let us hope, therefore, that we have now heard the last of this issue.

Robin Wendt,
Secretary,
Association of County Councils,
Eaton House,
66a Eaton Square, SW1

FINANCIAL TIMES
Wednesday June 20 1990

Final call for cheap air travel in the EC

Tim Dickson examines the prospects for an end to the abuses of the airlines cartel

EUROPE'S airline passengers have every right to be cynical.

Wrongly led to believe 2½ years ago that fares would tumble in the wake of air transport deregulation, they are again being promised that an era of cheap travel is upon us.

Enthusiastic reactions from the likes of Britain's Transport Minister, Mr Cecil Parkinson, and the EC Transport Commissioner, Mr Karel Van Miert, to the second air liberalisation "package" announced on Monday are justified because member states have legally committed themselves to ending the more blatant abuses of the airlines cartel.

The cosy bilateral revenue and capacity sharing arrangements between governments are set to disappear by the end of 1992 when airlines will be freer to fix their own fares, and common licensing rules should serve to clip the wings of powerful national carriers in their "home" markets after July 1992 by opening them to competition from airlines of other countries.

At the same time,it takes an act of faith to believe that an industry whose gut instincts are still highly protectionist and whose basic infrastructure (air traffic control systems) is still jealously controlled by national governments can quickly or easily confront the commercial realities of a single European market.

EC Transport Ministers on Monday legally bound themselves to full liberalisation of the airline industry by the beginning of 1993. The measures will:
- **Transform the system for setting fares so that the scope for governments to block new tariffs is reduced;**
- **End bilateral capacity and revenue-sharing arrangements which guarantee a fixed percentage of traffic on a given route;**
- **Create new freedom to operate in and between other member states through uniform licensing rules.**

Intermediate measures are due to come into effect in autumn this year. Ministers agreed on allowing airlines to set lower "deep discount" fares without obtaining government approval, an increase in the number of European airports affected by the reforms, and a relaxation of conditions for services in which passengers are either picked up or set down at an intermediate point en route to the final destination.

Two key issues were left unresolved. The first was the extent of the powers which the Commission has been seeking to outlaw anti-competitive and exploitative practices, such as swamping a route to force a competitor out of business. The other issue is the question of slot allocation at airports, on which the Commission will publish its ideas later this year.

For Brussels the job is only half done. The scope for more adventurous players to exploit the freedoms just negotiated could be severely curtailed if the EC does not head off the threat to competition both from mega-mergers and from newly bolstered airline "fortresses." It will be even less so unless a serious political effort is made to ease the growing problem of congestion on the ground and in the skies.

For all the medium- and long-term expectations, few are expecting any big transformation in the EC air transport market as a result of the "intermediate" package which will run to 1993.

This can best be seen as another small step along the path first marked out in December 1987, the much-trumpeted first stage of airline deregulation piloted through by the then competition and transport commissioners, Mr Peter Sutherland and Mr Stanley Clinton Davis.

Mark Two essentially builds on its foundations, introducing, for instance, a wider zone and slightly more flexible conditions for the so-called deep discount fares which airlines can now offer without recourse to their governments. The lower limit has been reduced to 30 per cent of the standard economy fare compared with 45 per cent under the present regime.

The anti-competitive capacity-sharing arrangements whereby governments bilaterally share out the revenues and traffic on routes and which inhibit more aggressive airlines, meanwhile, will be gradually phased out. At the moment governments can insist on a 60/40 share – but these limits will be gradually reduced in 7½ percentage point stages under the second package until a 75/25 limit is reached in 1992.

Most airports previously excluded from any of these liberalising rules – notably those in Denmark, northern Italy and Spain – will lose their exemptions, while fifth-freedom rights – the liberty to pick up or set down passengers at an intermediate airport en route to another destination – will be extended so that a maximum 50 per cent of seats (compared with 30 per cent at the moment) can be sold in this way.

Although member-states have now signed up to "full" liberalisation post-1992, the Transport Council was dominated on Monday by tough bargaining on the details of the second phase.

The thorniest issue was raised by Spain, which claims that a shortage of "slots" at airports such as London Heathrow and Frankfurt is hindering the development of new services by Iberia, its national flag carrier. Pending the adoption by the Transport Council of a code of conduct on slot allocation, yet to be tabled by the Commission – but which will establish the principle of non-discrimination on the grounds of nationality – a compromise was agreed on Monday allowing aggrieved member states to take a form of retaliatory action.

Notwithstanding Dutch displeasure in particular, Spain also insisted on the right of countries to slow down the disbandment of capacity-sharing agreements if charter traffic was "unduly" hindering the ability of their scheduled airlines to compete.

Of equal significance, meanwhile, France won the right of member states to continue subsidising services to certain regional airports on routes "considered vital for the economic development of the region in which the airport is located."

All being well for the liberalisers, of course, these are temporary constraints. For European air travellers they are proof that the national reflexes which have dogged the cause of deregulation for so long are not yet dead.

Problems delay debut of catamaran ferry

By Richard Tomkins, Transport Correspondent, in London

HOVERSPEED, the British company which hoped to launch a high-speed cross-channel passenger service this month using the world's largest wave-piercing catamaran, has suffered an embarrassing setback to its plans.

It is having to offer refunds or alternative travel arrangements to about 2,000 would-be passengers because the start of the service has been delayed for a second time.

The revolutionary 74m catamaran, designed to carry 450 passengers and 80 cars, was originally due to enter service between Portsmouth and Cherbourg on June 14 after attempting a record-breaking run across the Atlantic.

Yesterday, however, the company was contacting passengers to tell them that services could not begin until July 12 because teething troubles had held up the vessel's arrival in the UK.

It also became clear that the UK's Department of Transport had reservations over whether the catamaran would qualify for a passenger certificate in its present form.

Hoverspeed's catamaran ferry: teething troubles

The department said vessels of this size normally carried a mix of lifeboats and liferafts, but the catamaran's lightweight structure and lack of open decks would not allow it to carry lifeboats.

This meant the department's Marine Office surveyors would need to make sure not only that enough liferafts were available, but also that passengers would be able to get to them in an emergency.

The delays to the catamaran's arrival in Britain began last month when one of its water impellor jets broke on the delivery run from the maker's yard in Tasmania to New York.

When the vessel arrived in the US, a second problem emerged with vibration in the superstructure which required strengthening work to be carried out in dry dock.

After a three-week delay, the catamaran was due to set off from New York last night in an attempt to win the Blue Riband for the fastest average speed for a passenger vessel crossing the Atlantic. Its arrival in Portsmouth is scheduled for Saturday.

Sea Containers, the parent company of Hoverspeed, said yesterday that problems were to be expected with a new vessel and the delays were no cause for concern.

The £15.4m ($25.36m) catamaran, built by International Catamarans Tasmania, is the first in the world to carry cars as well as passengers. It is intended to cut through waves instead of riding them, so giving passengers a smoother ride.

US group plans tyre burning plant in UK

By Maurice Samuelson in London

A US company yesterday offered to build a power station in Britain which would alleviate one of Britain's worst waste disposal problems.

The station, at Wolverhampton in the west Midlands and costing £36m ($60.8m), would burn half of Britain's 25m tyres scrapped every year instead of using coal, Britain's leading fuel for electricity generation. It would be the first of its kind in Britain.

Elm Energy and Recycling of Connecticut, which has four full-time employees, has applied to build the 20 Mega-Watt plant on a six-acre industrial estate in Wolverhampton.

It says the technology is proven in the US, where one large scheme is in operation and a second is under construction.

The concept is designed to appeal to the environmentalist lobby because of the constant risk of pollution and fire from tyre disposal.

Mrs Anne Evans, Elm's 34-year-old president, is in Wolverhampton this week trying to convince planning officials that the plant would remove, rather than create, pollution. Its emission control standards would be higher than those in force in Britain and would anticipate those to be introduced in the year 2000.

She hopes construction will begin early next year, with the plant running by 1992. Initially, about 50 jobs would be created.

The plant already has the technical approval of the Midlands Electricity Board which will buy its output if it is built.

The Wolverhampton site has been selected for geographical reasons.

It is said to be only a day's lorry drive from half the waste tyre dumps in Britain, is in the heart of the motor industry and close to several of the leading tyre factories.

Mrs Evans, whose family has been in the tyre business for three generations, said she and her colleagues had been involved in a 14 MW plant, built beside a dump of 40m tyres at Modesto, California.

A second plant, being built at Connecticut, would use 100,000 tonnes of tyres to generate 27MW of power.

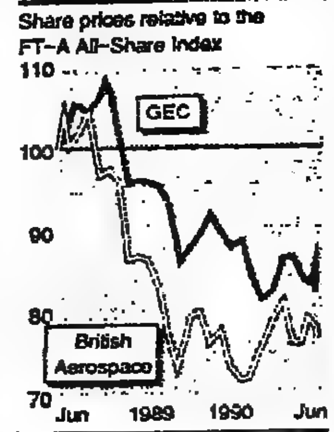
THE LEX COLUMN

When defence comes under attack

The pressures on defence spending have been self-evident for the past year and predictable for a good deal longer. Even so, the latest turn of events in the UK has caught the market on the wrong foot. The Tornado cuts are taken as evidence that a major defence review is under way in all but name; and that while further extensive cuts can be expected by the autumn, there is no saying where they will be directed.

For UK suppliers, the consequences extend beyond immediate sales to the UK Government or even to Nato partners. In the defence business, subsequent sales to developing countries are largely a matter of price; and price is a function of high volume and long production runs on the original commission. More fundamentally, the economics and innovative capacity of large tracts of British industry, from aerospace to electronics and advanced materials, rest heavily on military research funding and cash flow. That tap will of course not be turned off entirely, nor will the results affect trading profits in the next year or two. But if the contraction proves sharper than companies had bargained for, the costs of rationalisation and closure could show up rather sooner.

Share prices relative to the FT-A All-Share Index



The most obviously exposed of the UK's big defence contractors is British Aerospace, some 70 per cent of whose profits are based on defence. But the Tornado cuts are also unrelievedly bad news for GEC, whose Marconi division accounts for a quarter of pre-tax profit; and on top of that comes the Ferranti radar business, bought by GEC last year for £310m and now facing a possible halving of profits. The British electronics industry has often been criticised for its reliance on defence and telecoms. The force of that criticism is becoming more evident by the day.

Directors

Yesterday's welcome thoughts on corporate governance from the Association of British Insurers may turn out to be more controversial than they look. Hitherto, the ABI's collective utterances have concentrated on important but narrowly-defined matters such as the proper limits of executive share options. The new discussion paper penetrates much more deeply into the minutiae of how companies conduct their everyday affairs. To that extent, its ideas are likely to encounter even stiffer resistance in some quarters than the ABI has traditionally encountered when defending pre-emption rights. It is hard, for instance, to see all finance directors taking kindly to the ABI's idea of going back to the old days before the 1985 Companies Act, when every company's articles contained explicit limitations on borrowing powers.

The same goes for the discussion paper's evident qualms about companies which combine the role of chairman and chief executive. As the ABI is well aware, some big well-run UK companies such as ICI, Pisons and Grand Metropolitan do exactly that. Reading between the lines, it is fairly clear that the ABI's hidden agenda is to make sure that there can never be a repetition of the Guinness affair; and if that means upsetting a few executive chairmen, so be it.

The paper's weaknesses are over-emphasis on the role of non-executives and reliance on voluntary codes of practice. You do not have to be Sir Owen Green to question the effectiveness of non-executives, given their failure to avert such great financial disasters as Midland/Crocker, Imperial/Howard Johnson or B&C. As for the second point, if something is worth doing, it is surely worth considering making it a legal obligation.

Charter

Charter Consolidated under new management is pretending to be just like any normal mini-conglomerate. Underperforming assets are being jettisoned, there is plenty of talk about focussing on core businesses, the headcount is going down and the return on capital employed is going up. Admittedly, operating margins are static and virtually all the profit growth is accounted for by the change in accounting for pension costs. But the dividend has been increased by 13 per cent; and with net liquid resources of well over £100m, Charter can nearly cover its annual dividend just from the interest payments on its bank balance.

It is a sound defensive stock selling at a substantial discount to the market and its recovery potential should ensure that profits will grow faster than average in the coming year. Nevertheless, Charter's new strategy of managing its assets more aggressively will not be taken seriously as long as its single biggest profit contributor remains its 38.7 per cent stake in Johnson Matthey, over which it has no direct control.

Of course, it could be argued that given its current cash balances it would not know what to do with the £175m it could get for its JM stake. The obvious answer would be to give the money back to shareholders. However, despite occasional hints from its South African shareholders that they are interested in enhancing shareholder value, such largesse seems as far as away as ever.

Failed companies

Not so long ago, for a quoted company to call in administrators or receivers was a rarity. The USM company Spice, which did so yesterday, was the fourteenth to do so since the start of the year. What is striking about the list, which includes two giants – British & Commonwealth and Coloroll – as well as the expected ration of minnows, is the wide range of industries involved. Property developers and retailers were always expected to be on the list. But Spice was a motor parts distributor; and the insurance, leisure and airlines sectors have all had their casualties.

Investors can take comfort from the fact that the corpses still represent less than 1 per cent of the total number of quoted companies. Whether the total increases sharply depends on the banks. It is hard to tell whether the new system of administration – a *half-way house to liquidation* – has made them more or less eager to pull the plug. Administration may appear a less drastic and more orderly solution than liquidation. But to the extent that it resembles Chapter 11, the banks may take longer to get their money back. Keeping the companies going, however desperate the situation, may look preferable to increasing the bad debt ratios again.

EC Court allows UK suspension

Continued from Page 1

national law, must set aside that rule."

The British Government said yesterday that Mr Cecil Parkinson, Transport Secretary, would continue vigorously to contest the granting of interim relief to owners of the Spanish vessels until the courts had decided whether the 1988 Act was incompatible with EC law. Until that decision, Spanish fishing vessels would still be banned *from* fishing in UK waters.

Mr Nicholas Forwood, counsel for one of the Spanish fishing companies, said last night that he expected the boat owners "fairly quickly" to ask the House of Lords to reinstate the original High Court interpretation.

The matter is complicated because the EC separately obtained an injunction from the European Court ordering the UK Government to overturn the nationality requirements of the Merchant Shipping Act.

The Act's impact was only to allow a handful of Spanish boats back onto the UK Fishing Register, with the rest caught by residence and domicile conditions.

Beleaguered communism finds a homeland in South Africa

By Philip Gawith in Johannesburg

THE SOUTH AFRICAN Communist Party yesterday gave notice that Karl Marx is alive and well in South Africa, probably the only country in the world where communism's fortunes may be on the increase.

After 40 years of underground existence, the SACP announced that it would publicly enter the South African political arena as a legal party on July 29.

The launch will take place at a rally in Soweto, Johannesburg's biggest black township.

Speaking at a news conference against the background of a huge red flag, embossed with hammer and sickle, Mr Joe Slovo, the party's general secretary, said the SACP's objective was to build a strong mass party "democratically answerable to both our membership and our broader working class constituency."

Founded in 1921, the party was banned in 1950. The ban was lifted in February at the same time as bans were lifted on its ally, the African National Congress, and other organisations.

Mr Slovo said the Government was wrong if it thought that the crisis of socialism elsewhere would discredit socialist ideology in South Africa: "Some Communist Parties might have failed the cause of communism; capitalism has failed humanity."

Disclosure of party allegiances on July 29 is eagerly anticipated. There has been considerable speculation about the extent of SACP involvement not only at senior levels of the ANC but in the leadership of the trade union movement. If some assessments are to be believed, SACP members dominate both.

Mr Slovo, whose avuncular appearance and sometimes wise-cracking style belies his past role as a leading member of the ANC's military wing, dealt good-humouredly with the issue.

"I have been authorised to state that recent press reports that of the 35 members of the ANC national executive, 37 are communists, are somewhat exaggerated," he said.

Mr Slovo is a member of the ANC team which reached a preliminary agreement with President F.W.de Klerk last May that is expected to lead to negotiations on a new constitution.

He reaffirmed the leading role of the ANC in the political struggle, and added: "We do not expect that in the immediate future there will be any conflictual situation between us." There was no basic difference in their immediate objectives – an end to racism and its replacement with a non-racial society – nor in their approach to a post-apartheid society.

In spite of the Government's past campaign against the party, the SACP and its objectives enjoyed "wider prestige and popularity than at any time in our 69-year history."

The SACP will not be abandoning underground structures until it believes the process of democratisation in the country is irreversible.

Mr Slovo acknowledged that the SACP had in the past "bathed in some murky waters" in foreign policy matters, its support for the Soviet Union on matters such as Hungary, Czechoslovakia and Afghanistan having been "virtually an automatic reflex." He said that in future, reaction to foreign events would be based on "our own analsysis."

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	Dallas †	S	26	79	Madeira	C	22	72	Prague	F	25	77
Algiers	S	28	82	Dublin	C	15	59	Madrid	S	27	81	Reykjavik	F	18	65
Amsterdam	F	[illegible]	68	Dubrovnik	S	24	75	Majorca	S	25	77	Rhodes	S	26	79
Athens	S	27	81	Edinburgh	C	18	64	Malaga	S	24	75	Rio de Janeiro		—	—
Bahrain	S	37	99	Faro	S	23	73	Malta	S	27	81	Rome	S	25	77
Barcelona	F	25	77	Florence	S	28	82	Manchester	F	17	63	Salzburg	S	25	77
Belfast	F	15	59	Frankfurt	S	25	77	Melbourne	F	11	52	S'Francisco †	[illegible]	11	52
Belgrade	S	27	81	Geneva	S	26	79	Mexico City		—	—	Santiago		—	—
Berlin	S	25	77	Gibraltar	S	26	79	Miami †	S	27	81	Seoul	R	23	73
Biarritz	C	19	66	Glasgow	S	15	59	Milan	F	25	77	Singapore		—	—
Birmingham	S	17	63	Guernsey	F	15	59	Montreal †	F	19	[illegible]	Stockholm	F	19	66
Blackpool	S	16	61	Helsinki	F	17	63	Moscow	C	[illegible]	70	Strasbourg	S	25	77
Bombay	F	31	88	Hong Kong	C	29	84	Munich	S	26	79	Sydney	F	[illegible]	57
Bordeaux	C	18	64	Innsbruck	S	25	77	Nairobi		—	—	Tangier	S	23	73
Boulogne	F	18	64	Inverness	F	13	55	Naples	F	28	82	Tel Aviv	F	26	79
Bristol	F	16	61	Isle of Man	S	14	57	Nassau		—	—	Tenerife	F	24	75
Brussels	C	18	65	Istanbul	F	24	75	Newcastle	F	18	64	Tokyo	S	27	81
Buenos Aires		—	—	Jersey	S	18	64	New Delhi	S	39	102	Toronto †	F	19	66
Budapest	S	25	77	Johannesburg	S	12	54	New York †	F	22	72	Tunis	S	[illegible]	91
Cairo	S	30	86	Las Palmas	S	24	75	Nice	S	23	73	Valencia	F	26	79
Cape Town	S	19	66	Leeds	F	14	57	Nicosia	F	25	77	Venice	S	25	77
Cardiff	F	17	63	Lisbon	C	21	70	Oporto	F	20	68	Vienna	S	25	77
Chicago †	S	13	55	Locarno	C	22	72	Oslo	[illegible]	16	61	Warsaw	S	26	79
Cologne	C	23	73	London	F	20	68	Paris	R	17	63	Washington †	C	22	72
Copenhagen	C	19	66	Los Angeles †	S	17	63	Peking	S	14	57	Wellington	[illegible]	10	50
Corfu	S	26	79	Luxembourg	C	21	70	Perth	S	16	61	Zurich	S	24	75

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Growth fuels inflation fears

Continued from Page 1

last quarter of 1989.

Government officials, concerned about possible US reaction to signs of growth in Japan's trade surplus, said there were special factors, including a seasonal surge in car exports. However, some private sector economists saw the start of a recovery in export growth, inspired partly by the decline in the yen over the past year.

Domestic demand, which grew 1.2 per cent over the previous quarter, reflected robust growth in both consumption and capital spending.

Mr Kenneth Courtis, senior economist at DB Capital Markets, Deutsche Bank's securities subsidiary in Tokyo, said the figures showed the plunge in Japanese equities early in the year had had little effect on the economy.

For the fiscal year to end of March, the economy grew by 5 per cent, well above the Government's forecast of 4.6 per cent. Domestic demand grew by 5.7 per cent while external demand, exports minus imports, fell 0.7 per cent.

The economy is now in its 44th month of expansion, the second longest period of growth since the war. The longest was 57 months recorded in the mid-1960s. The 12.3 per cent year-on-year increase in money supply in May, the same figure as for April, is worrying officials at the Bank of Japan.

The growth rate is well in excess of an informal target of 11.7 per cent for the quarter to the end of June. In the longer-term the central bank would like to see the real rate of money supply growth in single figures.

The reported figures are distorted by a flow of funds inspired by financial deregulation from postal savings and other accounts not covered by the money supply figures to bank deposits, which are.

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1990
Wednesday June 20 1990

INSIDE

Goodyear struggles with dull tyre market

It's been a tough few years for the tyre industry and even leading companies are feeling the effects. Goodyear Tire & Rubber plans to report second-quarter pre-tax charges of about $35m for some restructuring actions in its North American operations. The charge, along with other adverse factors, will result in a second-quarter net loss of up to $10m. The restructuring itself will lead to the company shedding about 1,100 jobs. Roderick Oram reports. Page 23

Metals hinder Charter's course

Precious metals have taken the shine off results at Charter Consolidated, the UK industrial holding company, which reported a 12 per cent increase in pre-tax profits to £75.8m ($130m) in the year to March 31. Charter said its 38 per cent stake in Johnson Matthey, the precious metals marketing and refining group, had held back progress due to a sharp fall in operating profits. Page 26

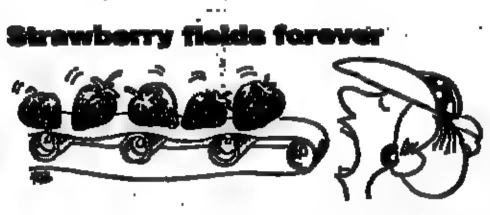
Right row over the real thing

Coca-Cola has come a long way since the days of this old label from 1906, but it cannot go far enough in the eyes of angry French café owners. Five hundred cafés in and around Bordeaux have refused to stock Coca-Cola, not because they disapprove of the stuff, but because they think the company is not playing fair. They object to vending machines installed there as an experiment by Coca-Cola, from which thirsty passers-by can obtain cans cheaper than in most cafés. Page 22

The trouble with money

The western world's financial institutions are racing to set up investment funds in Hungary. Three have been launched in recent months and five more are in the offing. But some analysts doubt whether investors will find much return. The rush of funds into Hungary is a case of "too much money chasing too few goods" and "too much, too soon," they say. Page 25

Strawberry fields forever



High-tech, high investment and high risk: this is not the description of some venture capitalist's portfolio. It is a farmer's view of the strawberry business. "What has been happening amounts to a revolution in English strawberry growing," claims one strawberry expert. New varieties, planting and growing techniques have lengthened the growing season in the UK to nearly half a year. Bridget Bloom reports. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Allianz AG	2600	+	50	Arjomari-P	2400	+	104.4
Daimler-Benz	817	+	19	Lucheire	485	+	27.5
Deutsche Bank	778	+	14	Synthelabo	533	+	24
Ind Werke	415	+	25	**Falls**			
Falls				Aux Entr	1070	–	70.9
Hapag Lloyd	430	–	10	Codetel	151.5	–	8
Merck Roeck	2150	–	80	Hachette	362.1	–	21.5
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Chrysler	16½	+	1⅛	Chugai Mining	1070	+	110
Oracle Syst	23⅛	+	⅝	Katsumura Cons	2400	+	250
Falls				Nippon Felt	3560	+	500
Goodyear Tire	33¾	–	¼	Nippon Seisen	880	+	100
MGM-UA Comm	17	–	1¼	**Falls**			
Motorola	85	–	⅞	Chugai Pharm	1630	–	150
Occidental Pet	26	–	½	Honshu Chem	1000	–	100

LONDON (Pence)							
Rises				Brit Aerospace	546	–	14
AmalgaBros	120	+	10	Comell	121	–	7
BET	259	+	7	Cooper (Alan)	120	–	30
Cont Stat'nery	60	+	7	Dowty	226	–	8
Costain	273	+	7	Fitch-RS	105	–	43
Cropper (J)	140	+	18	GEC	208	–	9
Friendly Hils	265	+	6	GUS A	1075	–	18
Polly Peck	442	+	9	STC	258	–	11
Shanks&McEwan	1403	+	53	Severn Trent	142	–	8
Speyhawk	233	+	38	Sketchley	171	–	12
Wiggins Teape	211	+	5	Smiths Inds	251	–	15
Yorks Chems	459	+	6	Thames TV	488	–	7
Falls							

Mercedes aims to boost output by 4%

By Kevin Done, Motor Industry Correspondent, in Stuttgart

MERCEDES-BENZ, the West German company which has been hit in the last two years by steeply falling domestic demand for diesel cars, plans to raise its car output this year by about 4.2 per cent to 565,000.

The plan by the automotive subsidiary of the Daimler-Benz group represents a sharp turnround from 1989, when car production fell by 3.1 per cent to 542,160. Diesel cars accounted last year for only 24.5 per cent of car output compared with 35 per cent in 1986.

Mr Werner Niefer, Mercedes-Benz chairman and deputy chairman of the main Daimler-Benz board, said the automotive company was planning a record capital investment programme of about DM20bn ($12.5bn) from 1990 to 1994, together with an additional spending of about DM13bn on research and development.

Most importantly, the company will launch its new generation luxury S-class saloon car range in the spring of next year to replace the existing S-class which was first introduced in 1979.

Mercedes-Benz is also investing about DM1.3bn in a new car assembly plant in Rastatt, near Karlsruhe. The plant will begin production of Mercedes-Benz 200-300 series cars in 1993 at a rate of about 100 cars a day with output doubling to 200 cars a day in 1994. Mr Niefer said the company was aiming to build one of the world's most highly-automated car plants at Rastatt.

The company was seeking to increase its car output to about 580,000 in 1994 and to 600,000-630,000 by the year 2000, he said.

Mercedes-Benz car sales in the first five months of this year increased by 6 per cent to 240,000. The rise was helped by higher sales in several western European markets, in the US and in Japan, which has become the company's third-largest car export market.

The company also expects to sell about 100,000 cars in East Germany over the next five years.

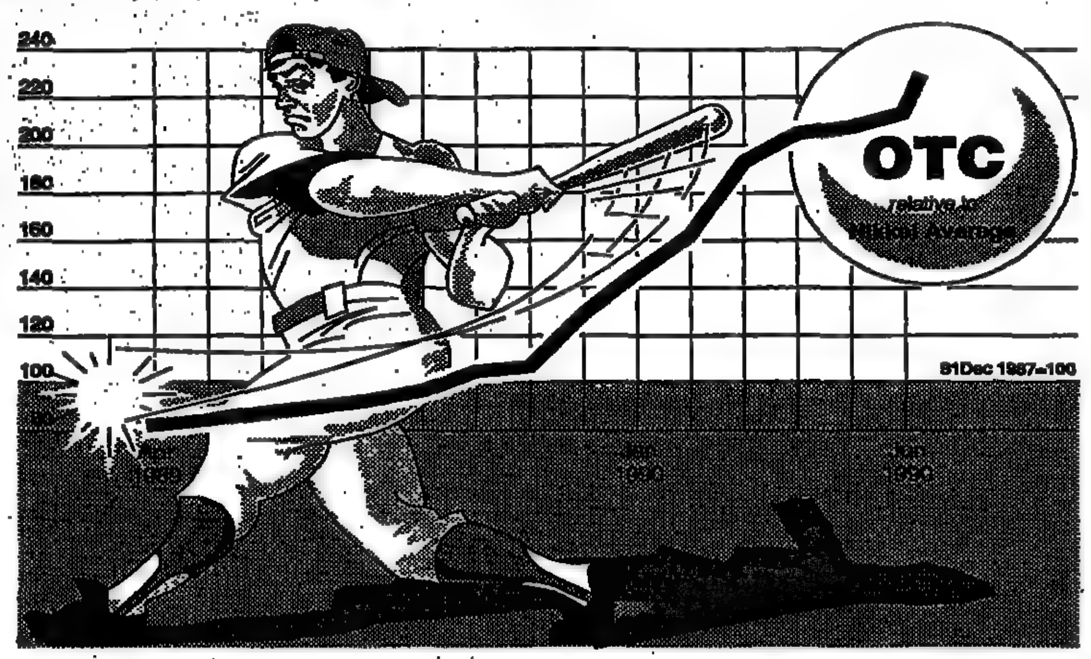
Sales in Japan were 52 per cent higher in the first five months at 16,803. Mercedes-Benz was the leading car import there, ahead of BMW and Volkswagen.

Mercedes-Benz car sales in West Germany are expected to fall to 238,000 this year from 247,000 last year. This is partly due to a drop in sales to its own employees from 74,000 last year to 55,000 in 1990, following unfavourable tax changes on such subsidised sales to the workforce. Mr Helmut Werner, deputy chairman, said the group's turnover increased by 10 per cent to more than DM24bn in the first five months. The company expected turnover to rise to DM58bn this year from DM56.4bn in 1989, he said.

Mercedes-Benz said that it expected its commercial vehicle sales to remain virtually unchanged this year at 260,000, including a marginal increase in sales in western Europe to 160,000. Sales by 1994 were planned to increase to 275,000 and to 300,000 by the year 2000.

Big hitters from Japan's little league

Michiyo Nakamoto reports on rocketing interest in Tokyo's over-the-counter market



WHILE the Tokyo stock market still faces a long haul to recovery, investors hungry for gains have turned to the much smaller over-the-counter (OTC) market where share prices have been shooting through the roof.

The value of the OTC market surged 68 per cent from Y4,500bn ($29bn) to Y14,090bn in the year to the end of April.

That makes it larger than the entire Australian or Hong Kong stock exchanges and is particularly remarkable considering only 277 issues are traded. Nasdaq, the US over-the-counter market, which trades more than 4,300 issues, was capitalised at $386bn at the end of last year.

The Nikkei OTC stock index has rewritten its high on several occasions during an eight-day rising streak this month. On Monday it climbed to a record of 3,862.14, while the Nikkei index for the stock exchange's far more prestigious first section is still 17 per cent down from its high.

The large number of new companies obtaining listings on the OTC has kept up the excitement. Last year saw a record 78 new issues, and this year more than 100 new companies are expected to be listed. The OTC's success in attracting funds is a telling sign of structural changes in the economy.

"There are many OTC issues which represent the new Japan," says Mr Takehiro Tsuda, research manager in the equity department of Ichiyoshi Securities. The Japanese economy has already moved on from a dependence on heavy industry to lighter industries and is well into the next stage of economic development which places greater emphasis on software, services and computerisation, he says. Companies in these businesses play a greater role in the OTC market than among more established issues.

Nihon Kanzai, a building maintenance company, has been a typical OTC success story. Its popularity stems from its role in providing computer-based maintenance services for buildings with high technology systems. The issue has gone up 179 per cent from its Y2,150 issue price on February 1.

Three OTC firms – Heiwa, THK and Jafco – each have market capitalisations of more than Y1,000bn. Heiwa is a maker of pachinko machines, for playing the Japanese equivalent of pinball. THK manufactures bearings for industrial machinery. Jafco is a venture capital company; its popularity stems from its considerable holdings of the rapidly rising shares of other OTC companies.

In turning to the OTC market, Japanese investors are following in the footsteps of their US counterparts, says Mr Tsuda. In the late 1970s as software, services and computerisation became increasingly important for the US economy, the Nasdaq over-the-counter market rose rapidly, with stocks such as Apple Computer leading the way.

The dull performance of the main Tokyo market so far this year has given added impetus to the popularity of OTC shares. Recently high interest rates in Japan have made growth stocks more attractive than the heavily capitalised issues that used to be favoured by Japanese investors for their liquidity.

"It's difficult to find real growth companies on the first section ... whereas on the OTC you can still find companies with double-digit growth," explains Mr Martin Roth, an analyst at Kleinwort Benson Securities.

The Ichiyoshi Securities Research Institute estimates that a sample of OTC companies will show a 15.8 per cent rise in pre-tax profits in the year to March 1991. That compares with a 2.5 per cent increase estimated for a comparable sample of first section companies.

Recent moves by foreign investors to target Japanese OTC issues, beginning with the launch of an OTC market fund by GT Management, have also helped stimulate interest among investors in Japan.

Earlier this year, Nomura Securities launched a $102m fund in the US, for the first time aimed at Japanese OTC issues. The fund, which was listed on the New York Stock Exchange in mid-March, is now trading at a premium of about 24 per cent.

Institutional investors, who tend to stay away from the illiquid OTC market, have jumped on the bandwagon in a desperate attempt to make profits where they can – adding liquidity and hence greater appeal to the market.

Until recently, the OTC market was dominated by individual investors and some foreigners who were attracted to the low price/earnings ratios of OTC issues relative to the first section.

Although interest in the OTC market has actually been growing over the past few years, the immediate trigger for the recent explosion of activity was a string of new listings in the autumn of last year.

Turnover swelled to 144m shares in May – more than triple last year's monthly average of 44m. And this sudden attractiveness of OTC companies has left the market bursting at the seams.

Brokers have complained that orders placed in the morning have often not gone through until late in the afternoon. Nippon Tento Shoken, the firm that handles 90 per cent of OTC trading, increased the number of computers it uses to handle trades earlier this year. Nevertheless, it still has been overwhelmed by orders, and this month the Japan Securities Dealers Association had to reduce OTC trading by an hour a day.

The recent influx of institutional investors seeking short-term capital gains has raised concerns that the market is overheating. But few people expect the strength of OTC shares to suddenly fizzle out.

An automated trading system on the lines of Nasdaq will be introduced in October 1991. Called Jasdaq, it will raise capacity to five times the present volume.

Mr Tsuda points out that the Nasdaq index has surged since an automated trading system was introduced in 1984. "We expect Tokyo to do the same," he says.

Midland lets Hongkong Bank take over colony operations

By John Elliott in Hong Kong

MIDLAND BANK of the UK yesterday took its 2½-year-old link with Hongkong and Shanghai Banking Corporation an important stage further. It announced it was downgrading its own Hong Kong operation over the next six months from a full branch to a representative office and would hand over a significant amount of its business to its local partner.

This move, which leaves Tokyo as Midland's only branch office in Asia, is part of a gradual rationalisation of the two banks' overlapping operations since Hongkong Bank bought a 14.9 per cent stake in Midland at the end of 1987.

It has sparked speculation that the two banks are moving closer towards a merger. A three-year moratorium agreed at the end of 1987, which expires at the end of this year, bans any enlargement of the Hongkong Bank stake without the prior agreement of Midland.

In Hong Kong it is generally assumed that a marriage will be attempted, partly because Hongkong Bank wants to carve out secure offshore links which will guarantee its future when the colony returns to Chinese sovereignty in 1997.

It is unlikely that Midland would have agreed to hand over a substantial part of its Hong Kong operations if, as some analysts have speculated, the courtship was going sour.

Midland is closing its Hong Kong treasury operation and is handing over its substantial trade services business to Hongkong Bank. Its bonds distribution team is being absorbed by Wardley, Hongkong Bank's merchant banking subsidiary.

Midland said yesterday that its Hong Kong representative office would continue to promote project and export finance as well as deal with private banking and corporate business.

These operations will gradually be moved into the headquarters building of Hongkong Bank which is likely to take more of them over later. Hongkong Bank is to absorb or offer alternative jobs to Midland's 110 local staff.

In 1988 Midland sold its branch in South Korea to Hongkong Bank and closed its branch in Singapore. At the same time, Wardley took over Midland's merchant banking operations in Hong Kong.

Elsewhere in the world, Midland has taken over substantial parts of Hongkong Bank's operations in Europe, and there has also been a rationalisation in North America.

Bank Leu chief leaves post in wake of takeover by CS

By Andrew Baxter

MR KURT SCHILTKNECHT, president and chairman of Bank Leu and the first Social Democrat to head one of Switzerland's big five commercial banks, is leaving his post in the wake of Leu's takeover by CS Holding, parent company of Credit Suisse.

Mr Schiltknecht, a former chief economist at the Swiss National Bank, was appointed chairman early in 1988 as part of a management reshuffle widely seen as an attempt to distance Bank Leu, Switzerland's oldest, from its role in the Guinness affair.

Yesterday, Bank Leu, the fifth biggest Swiss bank, said Mr Schiltknecht would not be working within the CS Holding group after completion of the proposed alliance. But it did not say what he would be doing, and Mr Schiltknecht could not be reached for comment.

News of Mr Schiltknecht's departure coincided with an announcement by CS Holding that holders of more than two-thirds of Bank Leu's shares had indicated they would exchange them for shares in Leu Holding, a new holding company, which will be listed on Swiss stock markets. Leu shareholders who had not presented their shares by Monday's deadline now have until July 3 to swap them.

CS Holding launched its bid for Bank Leu in April. A month later the target bank recommended shareholders accept the offer.

Bank Leu shareholders are being offered a one-for-one exchange of their shares and participation certificates for equivalent securities in Leu Holding, which will also incorporate CS Holding's two private banks, Bank Hofmann and Clariden Bank.

Mr Robert A. Jeker, Credit Suisse president, would become Bank Leu chairman, while Mr Adolf Braendle, Leu's current managing director, would become vice-chairman. Mr Braendle's position would then be assumed by Mr Roland Rasi, Credit Suisse's current managing director.

British Steel clinches German deal

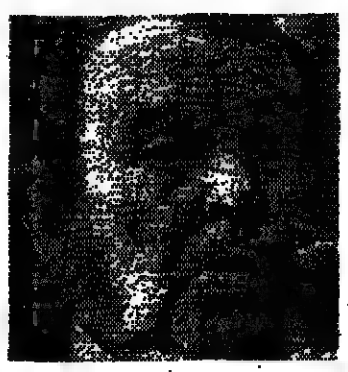
By Charles Leadbeater in London

BRITISH STEEL yesterday reached agreement on its first manufacturing venture outside the UK, with the DM300m ($187m) purchase of Klöckner-Werke's sectional steel division at Troisdorf, West Germany.

The acquisition is part of chairman Sir Robert Scholey's plan to reduce British Steel's dependence on the UK market and establish its presence in the strategically important German market. It will provide the first real test of British Steel's ability to internationalise its business. The West German steel market, which is one of the strongest in Europe, is expected to grow further following the modernisation of the East German industry.

The sale is part of Klöckner-Werke's strategy to diversify away from steel towards engineering and plastics.

Klöckner-Werke's Mannstaedt division, which employs about 1,700 people at Troisdorf, had a turnover of about DM460m last year. Analysts, who were generally satisfied that British Steel had paid a reasonable price, estimate the Mannstaedt division made a pre-tax profit of about DM30m last year. The division buys semi-finished steel on the open market to roll into special sections for the construction, automotive and mechanical engineering industries, as well as welded tubes.


Sir Robert Scholey

British Steel will supply the Troisdorf mills with semi-finished steel from plants in northern England. The mills, which last year produced about 200,000 tonnes of hot rolled special sections and 120,000 tonnes of tubes, could provide an outlet for more than 400,000 tonnes of semi-finished steel.

British Steel's move is one of the most ambitious yet in the European steel industry, as it takes the company into foreign manufacturing rather than just distribution and stockholding.

The purchase must be sanctioned by the European Commission following clearance from the West German cartel office.

● Altos Hornos de Vizcaya, Spain's second-largest integrated steelmaker, is expected to announce today that it will not go ahead with a joint bid for Aristrain, one of Spain's most successful producers, Peter Bruce writes from Madrid. The bid, with the big state-owned producer, Ensidesa, was an attempt to mount a counter offer to one from British Steel. However, so far, the finance has not been found.

Bank of Scotland buys interest in new Greek bank

By James Buxton, Scottish Correspondent

BANK OF SCOTLAND is taking its first step into banking in continental Europe by buying a 30 per cent stake in a newly-formed bank in Greece.

The business, to be called Dorian Bank, will concentrate on corporate and investment banking. It will have initial capital of Dr2.2bn ($13m).

Dorian is being set up with Mr John Mavrakakis, a well-known figure in Greek business circles and chairman of the Mayamar Marine Enterprises shipping company, which will own the other 70 per cent of the bank.

Greek banking, hitherto dominated by state-owned banks, is undergoing de-regulation as European Community directives are implemented. Bank of Scotland believes that the opening-up of the market will provide good opportunities in corporate banking. Dorian will offer full banking services and take deposits from corporate customers.

Its strategy in expanding into continental Europe is to seek niche opportunities "rather than trying to be a pan-European bank," said Mr Tom Borthwick, assistant general manager of the international division, yesterday. "We are looking at a lot of opportunities, and this is the first one to come to fruition."

Bank of Scotland regards the venture as a good investment opportunity. "We didn't pick up the map of Europe and say that Greece was where we wanted to be," said Mr Borthwick. "The people came to us and we were very impressed with them."

The chairman of Dorian will be Mr Anthony Mantzavinos, a former Greek cabinet minister who recently retired from a senior position with Citicorp. Mr Nikos Theodossiades, named managing director, was previously general manager of Investment Bank, the investment banking arm of Commercial Bank of Greece, following 10 years with Continental Illinois.

Dorian intends to seek a listing on the Athens Stock Exchange within three years.

While the local team of Dorian is expected to provide business opportunities, Bank of Scotland will supply expertise in corporate banking including management buy-outs and project finance. It could later provide expertise in retail banking if Dorian moved into that area.

Bank of Scotland will second two staff to Dorian's staff of 40 and have three out of eight seats on the board. The bank recently took a 5 per cent stake in SiMa, an Italian company that is setting up a credit card processing centre in Milan, to get a foothold in the growing Italian credit card market. SIMa's largest shareholder is Olivetti Information Systems, an offshoot of the data-processing equipment maker. Bank of Scotland has a large Visa processing centre at Dunfermline, Fife.

Waterford shareholders warned of hard times

By Kieran Cooke in Dublin

WATERFORD Wedgwood shareholders were told at yesterday's annual meeting that the company's performance continued to be affected by a drop in consumer spending in the US and UK.

Mr Howard Kilroy, chairman of the crystal and ceramic products company, said that trading conditions around the world were more difficult than last year, "with the possible exception of Japan."

He added that a strike at the company's Waterford crystal division, now in its 12th week, was also hurting sales. The company has warned of the "dire consequences" of a prolonged strike and has hinted that crystal production might be moved overseas, possibly to eastern Europe.

For the past three weeks management and union representatives have been conducting negotiations. Irish government officials said they were hopeful that a peace formula would soon be worked out.

Last year the Waterford crystal division incurred pre-tax losses of I£21.3m ($34.2m). Only continuing profits from Wedgwood, the maker of luxury chinaware, have kept Waterford afloat. The group posted pre-tax losses of I£20.6m last year.

At the meeting in Dublin, management was criticised for not giving adequate information about company affairs. Directors also faced questioning about what were considered excessive salaries paid to some board members.

Bordeaux eschews le real thing

By William Dawkins in Paris

ANGRY Bordeaux café owners have taken some of the fizz out of a campaign by Coca-Cola to woo the French from their traditional coolness to the sparkling brown drink.

Five hundred cafés in and around the city have refused to stock Coca-Cola, not because they disapprove of the stuff, but because they think the US drinks giant is not playing fair – an allegation denied by Coca-Cola.

They object to the 20 vending machines installed there as an experiment by Coca-Cola, from which thirsty passers-by can obtain cans for a mere FFr5, as against the FFr10 to FFr15 per bottle in most cafés.

Given the importance of the corner café to French civilisation, this could turn out to be more than a storm in a pop bottle, as clearly recognised by Coca-Cola France, which has promised to put no more vending machines on public streets until the row is settled.

"We aren't trying to open a parallel market or to kill the cafés. They are after all our first customers," insists Mr Cyriac de Salaberry, external relations director for Coca-Cola France, fresh from a visit to Gironde to try to sooth the café owners. As a further mark of the seriousness with which Coca-Cola takes their unease, its directors have agreed to meet the national hotel industry union on Thursday.

The Bordeaux vending machine test is a small part of a much wider drive launched by Coca-Cola last year to improve the performance of its drink in France, where people drink less Coca-Cola than in most other European countries. The average French citizen swigs a mere 5 litres of the stuff every year, a fifth of West German and Belgian consumption and less than half what the average British drinker manages.

"What we are trying to get the café owners to accept is that vending machines and cafés are two different markets. If people drink more Coca-Cola from vending machines, they will tend to ask for it more often in cafés," argues Mr de Salaberry, a keen fan of decaffeinated Coca-Cola lite.

Coca-Cola's French campaign started last year when the US drinks group ended a long legal battle to buy back for FFr889m ($158m) its French bottling distribution interests from Pernod-Ricard, which had handled Coke in France for 30 years.

Since then, Coca-Cola has opened in Dunkerque what is now its largest canning plant, to supply the whole of Europe, plus a concentrates factory in southern France, representing a combined investment of FFr600m.

Sabena in BFr1.3bn operating fall for 1989

By Lucy Kellaway in Brussels

SABENA, the Belgian state airline which recently formed an alliance with British Airways (BA) and KLM of the Netherlands, yesterday announced a net operating loss of BFr1.3bn ($37.5m) for 1989.

The company blamed the difficult market for European airlines in general, but said its results had been made worse by a series of strikes, and by the disruption of flights to Africa. In a downbeat statement, the company held out little hope of much improvement in the market this year.

The results come just a few days before the European Commission is expected to make a complaint about Sabena World Airlines – the new joint venture company in which BA and KLM have each taken a 20 per cent stake – on the grounds that it is against European Community competition rules.

Mr Carlow Van Rafelghem, president of Sabena, yesterday expressed confidence that the deal was not anti-competitive, as each of the three companies continued to operate separately. He said SWA was having a difficult start, but denied that the joint venture was facing financial problems.

At group level, Sabena's results from its airline were partly offset by profits from other subsidiaries – which include hotels, catering and air services. These together made net profits of BFr722.3m, 12 per cent less than the total last year.

In marked contrast to the losses for the airline, profits for the group almost doubled to BFr658.1m, compared with BFr334.7m last year. The dividend was BFr437.5m. The difference between the group results and the results for the airline was due to sale and leaseback deals on aircraft and to extraordinary goodwill gains.

During the year Sabena carried 3.5 per cent more passengers than in 1988, although rising capacity meant that its load factor fell from 66.4 per cent to 64.9 per cent. Turnover also fell slightly to BFr41.9bn from BFr42.8bn.

SCANDINAVIAN BANK RESULTS

DnB records loss of NKr491m

By Karen Fossli in Oslo

DEN NORSKE BANK (DnB), Norway's biggest bank, yesterday reported net losses of NKr491m ($75.8m) for the first four months of this year, its first accounting period since it was formed from a merger between Den norske Creditbank and Bergen Bank, two of Norway's top three banks.

However, the new bank forecast a net profit for the year as a whole. DnB's figures reflect high loss provisions for potential losses which must be booked as losses, according to new Norwegian accounting standards, although they may not materialise. The bank forecast that losses for 1990 would be less than combined losses for the two banks in 1989, which hit NKr3.237bn.

DnB's net interest income also suffered, because of higher interest rate levels in the period, as did gains on sales of bonds and securities. Identified losses, estimated to be about 46 per cent of the total provision, and estimated losses on loans and guarantees reached NKr1.369bn.

In the same period last year the two separate banks, Bergen Bank and Den norske Creditbank (DnC), suffered combined losses of NKr1.68bn.

Group operating profit, before credit losses and provisions, hit NKr928m against a combined operating profit of the two separate banks of NKr1.33bn last year. However, operating costs for the new bank were lower in the period at NKr1.91bn, despite a NKr36m charge to accounts related to the merger, compared with combined operating costs of NKr2.92bn before the merger.

"We have accomplished our goals when it comes to staff reductions in the period from end-December to June," said Mr Egil Gade Greve, the bank's chief.

Mr Gade Greve said that DnB would be able this year to feel the benefit of cost reductions from the merger. From 1991 DnB estimates cost benefits of NKr800m yearly as a result of the merger. DnB's ordinary deposits reached NKr87.26bn against combined deposits in the same period of NKr80.89bn for Bergen Bank and DnC.

Mr Gade Greve said the bank had a deferred tax benefit of NKr1bn as a result of the merger, which it has not yet realised. The bank's equity ratio, according to Bank for International Standards data, was put at 5.3 per cent.

Nokia sales rise but profitability 'unsatisfactory'

By Enrique Tessieri in Helsinki

NOKIA, Finland's largest privately owned company, said profit before tax and minority interests for the first four months rose modestly to FM217m ($54.8m) from FM213m a year earlier.

Sales rose to FM6.96bn from FM6.88bn, while operating profit also increased to FM349m from FM249m. Net profit, however, dropped sharply to FM118m from FM202m. Earnings per share fell to FM1.90 from FM2.30.

Nokia said that, despite asset sales, the group's results for this year would improve but would still remain unsatisfactory. Sales are not expected to exceed FM22bn.

The group said its liquidity was good, and its gearing ratio during the first four months of this year had improved to 73 per cent from 81 per cent.

Mr Olli-Pekka Kallasvuo, a senior vice president, said profitability had improved but was still unsatisfactory.

Sales in the consumer electronics division rose 11.5 per cent to FM1.96bn. The result had improved when compared with the same period in 1989 but was still poor.

Nokia, however, was especially satisfied with its telecommunications division, which saw sales rise by 20.1 per cent to FM790m. The result at its mobile phone division was also positive.

Pelège agrees to reduce SAE stake to 20 per cent

By William Dawkins in Paris

Pelège, the French property group, yesterday agreed to reduce its stake in Société Auxiliaire des Entreprises (SAE), the leading French housebuilder, dispelling fears that it was planning a hostile bid.

SAE said Pelège had promised to sell enough shares to reduce its 25 per cent shareholding to 20 per cent, in exchange for extra seats on the board.

Mr Michel Pelège, head of the property developer, began building the SAE stake in February, when he bought 17.65 per cent of the group from Compagnie Générale d'Industrie et de Participations, the holding company of the Wendel family.

Philips may cut computer jobs

UNIONS at Philips, the struggling Dutch electronics group, said they expect the company to announce the first job cuts at its ailing computer division at a meeting on Friday, Reuter reports.

"We have a meeting on Friday and I expect Philips to announce a first wave of austerity measures," said Mr Joop de Graaf, of the FHPP union for middle management. Philips declined to comment.

Growth of 30% for Handelsbanken

By Robert Taylor in Stockholm

SVENSKA HANDELSBANKEN, one of Sweden's top three commercial banks, recorded a 30 per cent growth in group operating profits over the first four months of the year, with a rise to SKr1.65bn ($270m) from SKr1.26bn.

It achieved a 24 per cent rate of return compared with 21.6 per cent for the same period of 1989. Total receipts went up by 26 per cent to SKr3.21bn.

The results include those from Skanska Banken, which became part of the bank from the beginning of the year after its acquisition by Handelsbanken.

Another bank, the Gota group, has also announced strong results for the first four months of the year with a 35 per cent improvement in operating income from SKr344m to SKr463m. Its return on equity after tax was 16.7 per cent compared with 14.3 per cent for the same period of 1989.

Gota said it expected this year's profits to exceed "by a wide margin" the 1989 performance, when the group made profits (before extraordinary items) of SKr1.05bn.

INTERNATIONAL COMPANIES AND FINANCE

Warner may withdraw Pathé loan

By Alan Friedman in New York

THERE ARE signs that Time Warner, the media and entertainment giant, may withdraw *its crucial $650m planned loan* to back the $1.2bn planned acquisition of MGM/UA by Pathé Communications, the studio controlled by Mr Giancarlo Parretti, the controversial Italian financier.

If Time Warner were to withdraw its financial backing, this would almost certainly doom any chances of Mr Parretti completing the MGM tender offer by the closing deadline of June 23.

It is believed that Time Warner's hesitance has caused Mr Parretti to ask Mr Kirk Kerkorian, the majority shareholder of MGM/UA, to consider a significant delay of the deadline on the deal.

Mr Parretti could not be reached for comment.

The difficulties stem from a series of last-minute negotiations between Mr Parretti's Pathé and Time Warner. Both sides claimed that the talks were still under way.

The talks have become thorny over the condition in Time Warner's agreement with Pathé that, in order to obtain the $650m loan, Pathé itself must come up with $450m of equity.

Pathé claims to have come up with the funds, but a sizeable part of the money it has raised through its network of European companies comes from bank loans rather than equity.

A Pathé executive said discussions with Time Warner had taken place all weekend and were continuing.

He said that, as of Monday evening, there was "no definitive statement from Time Warner suggesting that the money would not be loaned."

On Friday the French Government blocked Mr Parretti's attempt to take full control of Pathé Cinema of France, the original company whose name Mr Parretti has used on his Hollywood studio, the former Cannon Group.

Mr Pierre Bérégovoy, the French Finance Minister, questioned the origin of Mr Parretti's funds and said he had asked France's stock market authority to liaise with the Securities and Exchange Commission on the Parretti matter.

Bankers Trust cuts corporate staff by 10%

By Janet Bush in New York

BANKERS TRUST, the US commercial bank which started moving away from retail banking towards investment banking in the early 1980s, said it was cutting its corporate finance workforce by about 10 per cent.

Mr Ralph MacDonald, managing director in charge of the corporate finance department, said: "The actions recognise that the volume and form of corporate finance transactions will be driven primarily by strategic rather than financial considerations in the decade of the 1990s."

The bank is forming a new unit which will work with senior management of corporate clients. It will be managed by Mr MacDonald.

The announcement comes shortly after Merrill Lynch, the largest US securities house, reshaped its management to focus on restructuring highly-leveraged companies rather than merchant banking. This, too, was described as a shift of resources to reflect changed market conditions.

Bankers Trust said that the staff reductions would save more than $10m a year. The new unit will have a staff of about 25.

Ames in big first-quarter loss

By Karen Zagor in New York

AMES Department Stores, the big US discount retailer which filed for bankruptcy protection in late April, yesterday reported a big first-quarter loss, largely reflecting the cost of restructuring which the company hopes will allow it to *survive*.

Ames plans to reduce its base of 679 stores by about 33 per cent. The company said the 221 stores to be closed had an *operating loss of $21.3m before* non-recurring charges, interest, taxes and corporate expenses. The remaining stores were operating at about break-even levels for the quarter.

The Connecticut-based company said it would take a charge of $225m for expected costs of closing its stores, in addition to a charge of $104.5m covering an additional expected markdown and a $18m write-off of deferred financial costs.

These extraordinary items distorted Ames' first-quarter results by $347.5m, and the company reported a first-quarter net loss of $430.9m or $11.56 a share against a loss of $16.5m or 52 cents a year earlier.

Net sales for the three *months ended April 28 fell* 11 per cent to $987.8m from $1.11bn in the 1989 quarter.

Mr Stephen Pistner, Ames' chief executive, said: "The *majority of our loss in the first* quarter reflects actions which are absolutely necessary to stabilise our business and reduce losses.

"We have taken swift and decisive action to downsize, cut losses, reduce expense and save the company."

Ames was a profitable retailer before its $770m acquisition of Zayre department stores in 1988, which effectively doubled Ames' size and turned it into the fourth biggest discounter in the US with annual sales of nearly $5bn.

But the takeover also left *Ames in control of* several unprofitable stores, which the company did not sell in spite of pressure from its lending banks. When Ames started falling behind in its operating plans and ran into cash problems, its lenders would not add another credit line and the company was pushed into filing for bankruptcy protection.

Heinz earnings rise 14.6% to record

H.J. HEINZ, the US foods group, yesterday reported its usual strong increase in fourth-quarter earnings and hit a record, writes Karen Zagor.

The Pittsburgh-based company, one of the most consistent and profitable in US industry, increased net income by 15.5 per cent for the quarter to $135.3m or 51 cents a share from $117.2m or 44 cents.

Sales grew 3.9 per cent to $1.69bn from $1.63bn. The gain was attributed to price increases. Strong volume growth from the company's tuna and ketchup lines were offset by volume declines in other products.

Full-year net earnings rose 14.6 per cent to a record $504.5m or $1.90 a share from $440.2m or $1.67, on sales up 4.9 per cent to $6.09bn from $5.8bn on the strength of higher prices and increased volume.

Mr Anthony O'Reilly, chairman and chief executive, said: "Once again, we are pleased to announce record earnings. Our big brands – ketchup, tuna, frozen potatoes, baby food and Weight Watchers brand food products – continue to prove their market strength and brand leadership, providing a solid foundation for the future."

Murdoch's HK issue four times subscribed

By John Elliott in Hong Kong

A PUBLIC share issue for 17.5 per cent of Mr Rupert Murdoch's Hong Kong-based South China Morning Post (Holdings) has been slightly more than *three times oversubscribed*.

Applications were made for 960.1m shares against an allocation of 262.5m, less an allowance of 10 per cent for staff allocations. This means that applications exceeded the number of shares on offer by 4.06 times.

Dealings in the shares, which were priced at HK$3.08 each, are expected to start on June 29. The South China Morning Post, the company's main publication, is Hong Kong's leading English language daily.

The offer forms part of a successful 49 per cent flotation of SCMP, which has been wholly owned by Mr Murdoch's heavily indebted News Corporation since 1987. It will yield News Corp HK$2.26bn (US$289.7m).

Singapore investors including *United Overseas Bank and* Singapore Press Holdings, which owns the Straits Times, have taken stakes totalling 14 per cent. A further 17.5 per cent has been placed with institutional investors.

With the flotation, Mr Murdoch has diluted his stake in Hong Kong ahead of the colony's return to Chinese sovereignty in 1997.

He now hopes that the Singapore investors will link in joint ventures to help the group expand among Chinese readers in the region.

● Yaohan Hongkong, the department store group controlled by the Hong Kong-based but Japanese-owned Yaohan International, lifted net profits for 1989 by 27 per cent to HK$38.9m (US$5.1m).

Yaohan International, controlled by the Japanese Wada family, moved its headquarters from Tokyo to Hong Kong this year.

Goodyear hit by heavy charges and weakened markets

By Roderick Oram in New York

GOODYEAR Tire & Rubber said yesterday it would report second-quarter pre-tax charges of about $35m for some restructuring actions in its North American operations.

Combined with other adverse factors such as a weak US tyre market and setbacks in Brazil and Turkey, the charge will result in a second-quarter *net loss of up to $10m*. A year earlier it earned net profits of $27.1m, or 47 cents a share, after an after-tax charge of $95m for its troubled US oil pipeline project. Sales were $2.81bn.

The company said its second-half profits would now approximate the year-earlier's $1.52 a share, whereas analysts had been forecasting a figure closer to $1.90 a share.

Goodyear's performance has been sliding since it reported net profits of $440.1m, or $7.27 a share, for 1987.

The main thrust of the restructuring is streamlining the wholesale and retail sales and support organisations, Mr Tom Barrett, chairman, said. About 1,100 employees will lose their jobs as some sales support functions are eliminated.

The company is trying to win back the US market share it lost in the first quarter of last year.

It had raised its wholesale prices when the tyre industry was running close to capacity. But competitors largely held their prices, causing Goodyear's market share to drop by about two percentage points to 28 per cent, a loss of about 3m tyres.

Some of Goodyear's dealers said they forfeited business because the company did not have a line of low-price tyres under its own name, although it had sold some through its Kelly-Springfield subsidiary.

Goodyear began to repair the damage at a dealer meeting in February when it announced new low-priced lines and an aggressive new advertising campaign.

Grave losses at Tadiran signal trouble for Koor

By Hugh Carnegy in Jerusalem

THE UNRESOLVED fate of Israel's Koor Industries, shelved for three months due to the country's government crisis, has returned to the public arena with a jolt following yesterday's announcement of big losses last year at Tadiran, its main subsidiary.

Tadiran, an electrical goods producer, posted a $145m loss for the year against a $20m loss the year before. *As a consequence*, losses at Koor are expected to be high. It posted a Shk372m ($206m) loss for 1988.

The results come as the group awaits a response from the newly-formed Israeli Government to its plea for state aid to anchor a putative package with its creditors to relieve a debt burden exceeding $1bn.

No decision was possible during the three-month hiatus in government following the collapse of the Likud-Labour coalition. Now Koor is hoping that Mr Yitzhak Moda'i, the new Finance Minister, will agree to provide $50m cash and a further $125m in guarantees.

Koor says it has reached understandings on substantial write-offs and rescheduling with its Israeli and foreign bank creditors, and US and domestic bond holders, which await only the requested government portion.

Government frees seized San Miguel shares

THE GOVERNMENT body which seized shares in San Miguel, the Philippine brewery group, has agreed to lift its sequestration to allow the company to sell the shares and raise funds, Reuter reports from Manila.

The Presidential Commission on Good Government said in a resolution it had no objection to a compromise agreement between San Miguel and United Coconut Planters Bank, a local commercial bank that has a stake in the food and beverage conglomerate.

The shares covered by the agreement account for about 30 per cent of San Miguel's outstanding equity and are worth 10.3bn pesos ($468.2m) at current prices. The compromise agreement is an out-of-court settlement designed to end nearly four years of litigation over the disputed ownership of the shares.

In 1986 the commission sequestered 83.13m shares (now 175.27m because of stock splits and stock dividends) in San Miguel held by Coconut Bank on suspicion that they were illegally acquired by their owner, Mr Eduardo Cojuangco, then San Miguel's chairman.

Mr Cojuangco was a close associate of late President Ferdinand Marcos. He fled with Mr Marcos after the civilian-backed military revolt in 1986.

The resolution said the compromise agreement did not cover another sequestered block of about 86m shares registered in Mr Cojuangco's name and in companies owned or directly controlled by him.

The commission said its decision to lift sequestration of the shares would need approval by an anti-corruption court. A ruling is expected within 10 days.

When the sequestration is lifted, some 26.45m shares will revert to San Miguel treasury for disposal to raise funds for an on-going expansion, the resolution said.

San Miguel shares eased 1 peso to close at 59 pesos.

● The Government is seeking to sell half its equity in Philippine Phosphate Fertiliser Corp (Philphos) to either the Republic of Nauru, its partner in the venture, or other buyers.

The state-owned National Development Company owns 50.1 per cent of Philphos, one of the country's two producers of phosphatic fertilisers. It wants the buyer to assume guarantees on some $400m of Philphos' foreign debts.

● Mr Francisco Chavez, Solicitor General, has asked Philippine Airlines to investigate "highly scandalous anomalies" which he said may have cost the state-run carrier more than 2bn pesos since 1981, AP-DJ adds.

Mr Chavez, a member of the airline board, said the alleged irregularities included missing airline parts, over-payments to travel agents and concessionaires and unauthorised credit transactions.

Western Mining encounters a tricky seam

Kenneth Gooding examines the Australian mining group's problems and prospects

WESTERN Mining, Australia's biggest mining group and until recently given star status by the sector's analysts, has fallen from grace with a thump. Since January its share price has plummeted by more *than a third, cutting more than* A$2bn (US$1.5bn) from WMC's market value.

Falling commodity and gold prices have played a part in the descent, but a key element has been the group's revelation that it has run into severe problems with some of its old-established nickel operations in the Kambalda region of Western Australia. These will cut expected yearly output by 6,000 to 7,000 tonnes for the next two years.

Before that, there was an unsuccessful foray into North American gold mining in 1987 and 1988 when WMC bought four companies for A$530m. This later necessitated write-offs totalling A$111m – after allowing for A$72.7m profit from gold hedging no longer required.

While most analysts were willing to forgive the North American miscalculation, they have been more scathing about the Kambalda difficulties. Questions have been asked about WMC's senior management and whether it is out of touch, overstretched or has simply lost its way.

Mr Hugh Morgan, WMC's managing director, was offering explanations but no excuses this week in London when talking to UK institutional investors.

WMC's problems at the Kambalda site can partly be traced to the recession years of 1985-86, when base metal prices were at rock bottom and the group, to preserve profitability, severely cut nickel development expenditure. It concentrated instead on gold, then making a healthy profit.

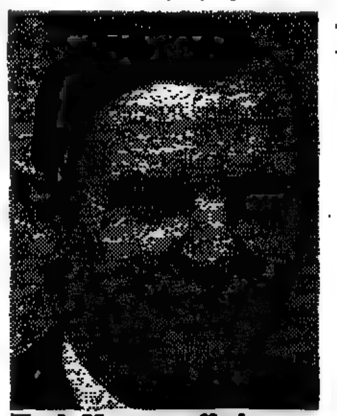
Two setbacks have hit Kambalda simultaneously. The Long Shaft, the most important of seven mines in the area, had to be redeveloped after unexpected and extraordinary ground pressures were experienced.

At the same time it was discovered that the ore body at the Forster mine was awkwardly-shaped, and like no other in the area.

Consequently, nickel output from Kambalda in the year to June 1991 will be only 28,000 to 29,000 tonnes, says Mr Morgan, the lowest for more than 10 years and down from 37,000 tonnes in the year which ends this month.

However, WMC will keep its position as the world's third largest nickel producer because output at its Leinster mine in Western Australia, for which it paid A$175m in January 1989, is growing steadily. So WMC's total nickel output in the next financial year is expected to be about the same as in 1989-90, or 45,000 tonnes – well down from the 55,000 tonnes forecast by the group last autumn.

"We are mining 6,000 to 7,000 tonnes less nickel than we ought to be and it will take two years to get it back again,"



Hugh Morgan: offering no excuses for problems

admits Mr Morgan. "As experienced miners it really hurts our pride that this has happened."

There are several other developments due which have caused WMC to start a strategic review of its nickel business and what it needs for the next 20 years.

"We are looking at how much nickel we should be producing, what type of nickel we should be producing [in matte or concentrate] and at the smelter and refinery operations.

"There is nothing that is not being questioned," says Mr Morgan.

The review has to be completed by the end of 1990 because WMC might be forced to rebuild its Kalgoorlie nickel smelter which has not been relined for a record nine years.

The review takes into account that nickel output at Leinster, formerly known as the Agnew mine, will be at least doubled.

In spite of the recent problems, WMC expects to get more than 40 per cent of its profit from nickel operations in the year about to start.

Another 40 per cent-plus will be contributed by Alcoa of Australia, the alumina producer in which WMC has built up a 48.7 per cent shareholding.

The falling gold price will squeeze profits from that division to between 10 per cent and 15 per cent of the total. WMC is Australia's biggest gold miner, with an annual output of more than 800,000 troy ounces. Mr Morgan suggests that about 40 per cent of Australia's gold producers are unprofitable at present prices – now at a four-year low in US dollar terms – and WMC is "concentrating on getting costs down rather than chasing production."

There is more positive news about WMC's 51-per-cent-owned Olympic Dam copper-uranium mine. Following changes in Australian government policy and the ending of a mandatory minimum price for uranium from the country, WMC has signed agreements with Texas Utilities and Middle South of Mississippi in the US for the supply of about 300 tonnes of uranium a year over six or seven years.

With existing contracts with the UK's Central Electricity Generating Board, the Swedish State Power Board, Kepco of South Korea and Kyushu and *Kansai of Japan for a total of* 800 tonnes, this leaves little unsold uranium capacity at Olympic Dam.

The mine is also producing about 40,000 tonnes of copper a year. Mr Morgan says the next step will be a gradual increase in output as WMC attempts to get the most out of existing facilities. But even this gradual expansion will depend on demand for uranium picking up.

Mr Morgan says it is well-known that British Petroleum is trying to sell its 49 per cent stake in Olympic Dam, but WMC has a pre-emptive right to buy the shareholding if it wishes.

WMC is continuing attempts to build its oil and gas division, which in 1990-91 might produce 6m barrels.

Group exploration expenditure, A$98m *last financial* year, will rise to A$115m, with spending on nickel, oil and gas increasing while that on gold is declining.

Mr Morgan warned the UK investment managers that WMC's profits are being constrained by the high value of the Australian dollar, the low gold price and falling commodity prices.

On the question of past management mistakes, he accepts that some – but not all – the criticism is justified. However, WMC has grown dramatically over the past 10 years, using a decentralised management style which will not change.

Mr Morgan says: "There is always the temptation, when something goes seriously wrong in the operating companies, to pull back control to the centre.

"But we in central management have no intention of becoming dictatorial or trying to second-guess the general managers at the operating companies."

First float of NZ telecom shares planned for March

By Dai Hayward in Wellington

THE FIRST tranche of up to NZ$1bn (US$582m) worth of shares in Telecom Corporation *of New Zealand* is planned to be floated on stock exchanges in London, New York, Sydney and New Zealand by next March.

This follows the purchase of the state-owned company agreed last week by Bell Atlantic and Ameritech, two US regional telephone utilities. Under the Government's sale terms they must sell down from initial full control to a joint 49.9 per cent stake within three years.

The period can be extended to four years if the Government agrees to a delay because of a weak stock market. In all, 40.1 per cent of NZ Telecom will be floated, with the New Zealand public given first option.

Originally the NZ Treasury forecast a float of around NZ$500m by the end of August this year, but the new owners say this is too soon.

"To float a company of this size, which is huge by New Zealand standards, and do it properly takes time," says Mr David Richwhite, joint chief executive of Fay Richwhite, the merchant bank which is one of the local partners in the deal.

COMPANY NOTICES

INTERNATIONAL CAPITAL MARKETS

US Treasuries drift lower despite weak house starts

By Janet Bush in New York and Andrew Freeman in London

US TREASURY bonds moved modestly lower again yesterday, deriving no benefit from May figures for housing starts, which were a touch weaker than had been expected, partly because of the prospect of new supply next week.

In late trading, the Treasury's benchmark long bond was quoted around ¼ point lower to yield 8.47 per cent and short-dated maturities were as much as ⅛ point lower.

US housing starts fell 1.4 per cent in May and April starts were revised downwards to show a fall of 6.4 per cent instead of a decline of 5.8 per cent previously estimated.

Building permits were down 4.6 per cent, suggesting more weakness in the housing sector to come, and permits were also revised downwards for April to a fall of 10.1 per cent from 8.7 per cent reported earlier.

Theoretically, the bond market should have been encouraged by these figures. However, the market's overall mood appears to have changed because of other robust economic indicators recently.

Another consideration is that the weakness seen in April and May housing starts may simply be a reaction to the spurt of activity in the market earlier this year.

There was speculation yesterday that the Treasury would raise the amount to be sold at next week's auctions to $11bn for the two-year sale compared with $10.8bn in April and $8.5bn for the four-year auction compared to $8bn.

■ WEST German government bond prices moved marginally higher in early trading before uncertainty over the next issue of federal bunds caused prices to drift lower in thin volumes.

Speculation that the Government might delay the June bund issue to allow a large deal by the German Unity Fund in early July was blamed for the unsettled mood. Traders said that any paper issued by the fund might not be deliverable against the bund futures contract and added that this would severely restrict foreign demand for any paper. There was also talk that the cost of unity funds would be significantly higher than equivalent direct borrowing by the Government.

Sentiment was dampened by remarks from an Economics Minister to the effect that some 2m East Germans might lose their jobs after German economic union on July 1.

The 8¾ per cent benchmark bund issue was fixed in the morning session at 99.38 to yield 8.84 per cent, 20 pfennigs below the previous fixing and in line with other issues.

Trading on the futures market in London was subdued, with the September contract trading in a narrow range and ending the day little changed at around 82.03. Turnover was 22,000 contracts.

■ UK government bonds had a steadily quiet day, trading in a narrow range until shortly before the close when prices ticked higher as traders covered short positions. Analysts said the market lacked clear focus following the fall-off of recent speculation over UK entry into the European exchange rate mechanism.

The benchmark 11¾ per cent gilt maturing 2003-07 was trading little changed at around 101⅝ for most of the session, but moved as high as 101⅞ towards the close. Volume remained thin amid a general shortage of stock.

■ IN JAPAN, government bonds ended narrowly weaker amid a lack of buyers. The benchmark 119th issue was yielding around 7.09 per cent against the previous close of 7.045 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-00	-	12.58	12.59	12.68
		10.500	5/99	92-24	+02/32	11.83	11.93	12.05
		9.000	10/08	84-25	+05/32	10.93	11.04	11.03
US TREASURY *		8.875	05/00	102-13	-04/32	8.51	8.48	8.72
		8.750	05/20	102-28	-08/32	8.48	8.45	8.70
JAPAN	No 119	4.800	6/99	87.4354	-0.190	7.09	7.07	7.08
	No 2	5.700	3/07	92.2511	-0.218	6.68	6.69	6.91
GERMANY		7.750	02/00	92.9000	+0.150	8.66	8.66	8.66
FRANCE	BTAN	9.000	02/95	95.8445	-0.175	10.13	10.13	[illegible]
	OAT	8.500	03/00	92.0000	-0.300	9.79	9.81	9.56
CANADA *		9.750	05/00	89.7500	-0.500	11.02	10.69	10.83
NETHERLANDS		9.000	05/00	100.0500	+0.090	8.99	9.04	8.97
AUSTRALIA		12.000	7/99	91.8463	+0.001	13.60	13.57	13.60

London closing, *denotes New York closing session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Brokers set up venture for sterling stocks

By Andrew Freeman

A JOINT venture company between Security Pacific Hoare Govett and Girozentrale Gilbert Eliott has been set up to specialise in underwriting, trading and distributing sterling bonds and preference shares.

Hoare Govett Gilbert Eliott, the new company, is designed to combine Hoare Govett's strength in corporate finance with the distribution and trading operations of Gilbert Eliott.

HGGE will make markets in more than 850 fixed-interest stocks. Some 23 staff will be seconded into the joint venture.

The move follows several months of inactivity in the non-gilt sterling markets as high yield levels and poor economic fundamentals have deterred borrowers. This has put the sterling operations of many players under severe financial pressure.

Joint ventures are one way that houses can profitably continue to offer a full service.

Japanese bank in alliance for global service

By David Lascelles, Banking Editor

GARTMORE Investment Management, the fund management group recently acquired by Banque Indosuez, is to form a joint venture with Nippon Credit Bank to provide global investment services to NCB and its clients.

The company will be called Nippon Credit Gartmore Investment Management, and will be based in London. It will be 60 per cent-owned by NCB and 40 per cent by Gartmore, and is expected to have $250m under management when it is launched in August.

NCB chose Gartmore after interviewing 18 firms for the venture. Gartmore has been operating in Japan since 1984, and manages $12bn globally.

The venture is one of several now being set up by Japanese banks as they seek to enter the international fund management market.

Czech bank to issue first domestic bond

KOMERCNI Banka, Czechoslovakia's state-owned bank, plans to launch a 1bn koruna ($6m) domestic bond, the first such issue following the political and economic reforms, Reuter reports.

The bank sees the issue, to be launched on July 2, as a first step towards a fully fledged capital market in Czechoslovakia.

The bond is to be offered to domestic investors with an 8 per cent coupon due 1995. The issue will help raise capital for commercial loans including financing for industry.

The bonds will be offered at 85 Komercni Bank branches in Bohemia and Moravia and will not be sold overseas. Private funds deposited in a Czechoslovak savings bank usually earn between 2 per cent and 5 per cent interest.

Komercni Bank was formed this year following a restructuring of the Czechoslovak State Bank. It now acts as a federal central bank, with a retail and commercial banking offshoot.

The bank's counterpart in Slovakia – Vseobecna Uverova, the General Credit bank – also plans a 1bn koruna domestic bond due 1995.

It would carry a 7.6 per cent basic coupon, rising to 8 per cent after five years.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	[illegible]		9.38
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	101		9.17
AMERICAN GENERAL 9 3/4 95	100	[illegible]	[illegible]	[illegible]	10.51
AUSTRALIA 11 1/4 00	100	[illegible]	[illegible]		9.90
AUSTRIA 8 1/2 00	400	95	[illegible]	[illegible]	9.29
BANK OF TOKYO 8 3/8 96	100	[illegible]	[illegible]	[illegible]	9.49
BELGIUM 9 1/8 92	400	[illegible]	[illegible]	[illegible]	9.02
BFCE 7 3/4 97	150	[illegible]	93	[illegible]	9.26
BNP 8 5/8 94	300	[illegible]	[illegible]	[illegible]	9.22
BP CAPITAL 9 5/8 93	150	[illegible]	[illegible]	[illegible]	9.46
CANADA 9 96	1000	[illegible]	[illegible]	[illegible]	8.95
CCCE 9 1/4 95	300	[illegible]	[illegible]	[illegible]	9.13
COUNCIL EUROPE 8 96	100	[illegible]	[illegible]	[illegible]	9.23
DENMARK [illegible] 98	250	[illegible]	[illegible]		9.34
DENMARK 8 1/4 96	150	[illegible]	[illegible]	[illegible]	9.21
ECSC 8 1/4 96	195	[illegible]	[illegible]	[illegible]	9.24
EEC 7 1/4 93	250	[illegible]	[illegible]	[illegible]	9.00
EIB 7 3/4 96	250	[illegible]	[illegible]	[illegible]	9.22
EIB 10 97	250	[illegible]	[illegible]		9.20
ELEC DE FRANCE 9 98	200	[illegible]	[illegible]	[illegible]	9.15
EUROFIMA 9 1/4 96	100	[illegible]	[illegible]	[illegible]	9.12
EXPORT DEV CORP 9 1/2 98	150	[illegible]	[illegible]	[illegible]	9.27
FINLAND 7 7/8 97	200	[illegible]	[illegible]		9.38
FINNISH EXPORT 9 3/8 95	200	[illegible]	[illegible]	[illegible]	9.17
FORD MOTOR CREDIT 9 1/2 93	300	[illegible]	[illegible]		9.24
GAZ DE FRANCE 12 1/4 93	175	[illegible]	[illegible]		10.79
GEN ELEC CAPITAL 9 3/8 96	300	[illegible]	[illegible]	[illegible]	9.18
GMAC 9 1/8 96	200	[illegible]	[illegible]		9.40
HALIFAX 9 1/2 93	250	[illegible]	[illegible]	[illegible]	9.40
IBM WORLD TRADE 7 5/8 93	150	[illegible]	[illegible]	[illegible]	9.33
IND BK JAPAN FIN 7 7/8 97	250	[illegible]	[illegible]	[illegible]	9.43
INTER AMER DEV 7 5/8 96	200	[illegible]	[illegible]	[illegible]	9.31
ITALY 8 1/2 94	1500	[illegible]	[illegible]	[illegible]	9.12
JAPAN DEV BK 8 96	150	[illegible]	[illegible]	[illegible]	9.13
KANSAI ELEC PWR 10 96	350	[illegible]	[illegible]	[illegible]	9.46
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	[illegible]	[illegible]	[illegible]	9.76
KREDIETCORP 7 93 LFr	1000	[illegible]	[illegible]	[illegible]	9.73
WORLD BANK 8 96 LFr	1000	93	94		9.61
AMRO BANK 6 1/4 92 Fl	150	94	[illegible]		9.43
DENMARK 8 1/2 91 Fl	100	99	[illegible]		9.67
HEINEKEN 7 5/8 94 Fl	150	[illegible]	[illegible]		9.00
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94	[illegible]		9.63
RABOBANK 5 3/4 93 Fl	150	[illegible]	[illegible]	[illegible]	9.44
WORLD BANK 6 1/4 91 Fl	100	[illegible]	[illegible]	[illegible]	9.84
ALBERTA PROVINCE 10 92 C$	500	[illegible]	[illegible]	[illegible]	12.95
BCE INC 9 5/8 93 C$	300	[illegible]	[illegible]	[illegible]	12.95
BELL CANADA 10 3/8 99 C$	150	[illegible]	[illegible]	[illegible]	12.07
BRITISH COLUMBIA 12 1/4 91 C$	100	[illegible]	[illegible]	[illegible]	13.92
EIB 10 1/8 98 C$	130	[illegible]	[illegible]	[illegible]	12.20
FORD CREDIT CANADA 10 94 C$	100	[illegible]	92	[illegible]	12.74
GENERAL ELECT CAP 10 1/4 93 C$	175	[illegible]	[illegible]	[illegible]	12.80
MONTREAL TRUSTCO [illegible] 92 C$	100	92	[illegible]	[illegible]	13.57
ONTARIO HYDRO 10 7/8 99 C$	500	[illegible]	[illegible]	[illegible]	11.95
QUEBEC PROV 10 1/2 98 C$	200	[illegible]	[illegible]	[illegible]	12.29
ROYAL TRUSTCO 10 1/4 93 C$	100	[illegible]	[illegible]	[illegible]	13.21
SWEDEN 9 3/4 93 C$	250	[illegible]	94	[illegible]	12.55
AUSTRIA 7 3/8 93 Ecu	125	[illegible]	[illegible]		10.04
CNT 7 3/8 93 Ecu	250	[illegible]	93	[illegible]	10.44
CREDIT LYONNAIS 9 96 Ecu	125	[illegible]	[illegible]	[illegible]	10.25
DENMARK 7 5/8 96 Ecu	250	[illegible]	[illegible]		10.49
EEC 7 5/8 96 Ecu	200	[illegible]	92		10.50
EIB 10 97 Ecu	500	[illegible]	[illegible]	[illegible]	10.30
ITALY 10 3/4 00 Ecu	1000	[illegible]	[illegible]		10.34
SWEDEN 7 1/2 93 Ecu	250	[illegible]	[illegible]		10.23
BMW FINANCE 14 1/2 92 A$	100	[illegible]	[illegible]	[illegible]	14.17
COUNCIL EUROPE 13 93 A$	50	[illegible]	[illegible]	[illegible]	13.45
[illegible] 12 3/4 95 A$	75	[illegible]	[illegible]	[illegible]	14.36
FORD CRED AUST 13 93 A$	50	[illegible]	97		14.56
HEINZ 12 3/4 91 A$	100	[illegible]	[illegible]		15.35
KI 15 1/2 92 A$	100	[illegible]	[illegible]	[illegible]	14.61
[illegible]					

[illegible]

Schneider issue may increase to FFr3.4bn

THE FFr2.6bn convertible warrants bond planned by Schneider, the French electrical engineering group, may be increased to FFr3.4bn, it was announced yesterday, Reuter reports.

The issue will carry a coupon of 6.5 per cent and an FFr800m tranche will be placed with international investors by a syndicate led by Banque Paribas.

Existing shareholders will have priority in subscribing for the remaining FFr1.8bn. Depending on the level of demand, the value of bonds offered to shareholders could be increased by FFr800m.

Shareholders will have priority until July 3, and payment of FFr1,300 is due on July 13. The subscription price includes FFr1,150 per bond and FFr150 per warrant.

Between August 1 and September 30, 1993, Schneider will buy back any warrants which have not been exercised at the original purchase price. Schneider shares trade at above FFr1,000 each.

● Société Générale is launching the first French money market investment fund denominated in dollars on June 20.

Interest based on the one-month dollar London interbank offered rate (Libor) will be calculated daily and capitalised.

Société Générale already has dollar-denominated share and bond investment funds.

Ferri in black with earnings of FFr22m

By George Graham in Paris

FERRI, the French stockbroking firm, has returned to profit with earnings of FFr22.4m last year.

Ferri, which has the largest workforce of any French stockbroking firm with 240 employees, said parent company operating profits turned round last year to FFr8.1m, from a loss of FFr3.0m in 1988, while net profits improved to FFr18.9m from FFr4.0m in 1988.

The group as a whole, one of the few French stockbrokers to publish its results, registered brokerage of FFr131m, with additional commission income of FFr60.6m and market-making income of FFr21.7m.

Mr Alain Ferri, the group's chairman, said commission levels had not suffered too severely since the ending of the French Stock Exchange's fixed tariff last year.

INTERNATIONAL CAPITAL MARKETS

Dollar deals dominate new issue business

By Tracy Corrigan

THE surge of new issues in the US dollar sector of the international bond market continued yesterday, dominated by a $1bn issue of global asset-backed bonds for First Chicago, the second of its kind.

A third global issue of bonds backed by credit card receivables totalling $1.25bn for Citicorp is likely to emerge today. It is likely to have a seven-year maturity.

Both previous issues have five-year maturities. Price talk suggests that the launch spread will be between 85 and 89 basis points above the seven-year Treasury. Credit-enhancement is likely to be provided by a senior/subordinated structure, rather than a letter of credit as for the First Chicago deal. First Boston and Credit Suisse First Boston, lead managers of the First Chicago deal, are reported to have been awarded the mandate for this issue too. *CSFB in London* declined to comment.

J.P. Morgan said it would hold a second auction of Eurobonds for the Kingdom of Denmark on Thursday. Members of the International Primary Markets Association will be invited to bid for the $600m-$800m issue, $200m of which will be allocated to the Danish central bank on a non-competitive basis. The bonds will be fully fungible with Denmark's outstanding $771m of 9¼ per cent bonds due 1995, the issue resulting from its first Eurobond auction earlier this year.

The outstanding issue is currently trading at about 57 basis points above the five-year US Treasury, having tightened from an initial launch spread of 65 basis points.

Meanwhile, First Chicago *Master Trust II* brought the second global issue of credit card-backed bonds, which sold out rapidly, though placement was skewed towards the US market, according to some dealers. The $1bn of 9¼ per cent bonds, offered simultaneously in the US and Eurobond markets, were priced to yield 80 basis points above the five-year Treasury. The only previous global asset-backed deal, Citicorp's $1.25bn offering through its Standard Credit Card Trust vehicle, was trading at a spread of about 78 basis points.

The bonds were issued in registered, rather than bearer form, with interest payable half-yearly not yearly, following US rather than Eurobond market practice. Consequently, placement was stronger with *offshore US funds*, than with European retail accounts deterred by the registered form, as in the case of the SCCT deal. The issue met strong demand and underwriters sold out their allotments almost immediately.

Also in the dollar sector, Nippon Telegraph & Telephone issued $250m of seven-year bonds via Paribas Capital markets. The 9¾ per cent bonds offered a spread of 57 basis points above the seven-year US Treasury, and were firmly bid at their fixed reoffer price of 99.70.

NTT is the first Japanese company to bring a deal on a fixed price reoffer basis (although Toyota Motor Credit, the US subsidiary of the Japanese car maker, has brought such an issue). The Japanese *Ministry of Finance is now* likely to be more inclined to see Japanese government-guaranteed issuers use the system. The deal was swapped into fixed-rate yen.

A second UK building society tapped the sterling floating-rate note market, following the Halifax's £850m five-year issue launched on Monday and the largest outstanding building society issue in the sector. Yesterday, the Yorkshire Building Society brought a £100m issue of seven-year notes, with an additional £50m on tap. Despite the slight pick-up offered by the Yorkshire issue, which pays 0.10 point above London interbank offered rate (Libor), against a $\frac{1}{16}$ point margin for the Halifax deal, investors showed more enthusiasm for the more liquid deal for the larger society.

Two new issues were launched in the Australian dollar sector. Daimler-Benz International Finance brought a $100m five-year offering of 14¼ per cent Eurobonds, guaranteed by the parent. Daimler's first issue in the sector met keen demand from continental retail investors, particularly in Germany. The issue was bid at less 1.85, within fees of two points. The South Australian Government Financing Authority issued A$75m of 15¼ per cent, three-year bonds via Hambros Bank.

The Republic of Finland tapped the D-Mark bond market for the first time since 1985, the first top-rated sovereign borrower to bring a fixed-rate issue in the sector for over a year. The 9 per cent coupon proved attractive to retail investors, particularly in Germany, while the issue was supported by a buoyant government bond market. The five-year bonds, arranged by Dresdner Bank, were bid at less 1¼ bid, comfortably within 2 point fees.

The European Investment Bank brought a SFr200m 12-year callable issue. Swiss Bank Corporation won the mandate on a competitive bid. The 7 per cent coupon, with a 102½ issue priced appeared aggressive, and the deal slipped outside its 2¼ point fees to less 2¾ bid.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
First Chicago Mstr Tst II-A(e)♦	1bn	9¼	99.91	1995	40/25bp	CSFB/First Boston
Nippon Telegraph & Tel.(d)♦	250	9¾	99.70	1997	30/17½	Paribas Capital Markets
CANADIAN DOLLARS						
Nord.LB(a)♦	75	13	101.70	1993	1⅜/⅞	Bankers Trust Int.
AUSTRALIAN DOLLARS						
Daimler-Benz Int.Finance(a)♦	100	14¼	101	1995	2	Deutsche Bank Cap.Mkts
Sth.Australian Govt.Fin.(a)♦	75	15¼	102	1993	1½/1	Hambros Bank
STERLING						
Yorkshire B. Society(c)‡♦	100	10bp	100	1997	14/7bp	Hambros Bank
LIRE						
Japan Air Lines Finance(a)♦	115bn	12⅞	101.80	1995	1⅞/1¼	IMI
D-MARKS						
Finland, Republic of(a)♦	300	9	101	1995	2/1¼	Dresdner Bank
SWISS FRANCS						
EIB(b)♦	200	7	102½	2002	2¼	SBC
Dai-Ichi Katei Denki(a)★★♦	70	7⅝	100¾	1995	1⅞	Banque Paribas (Suisse)
Kayaba Industry(a)★★♦	80	7⅝	100¾	1995	1⅞	Credit Suisse
FINNISH MARKKA						
Veitsiluoto Oy(a)♦	150	13½	101⅞	1995	1⅞/1¼	Postipankki

★★Private placement. ‡Floating rate notes. ♦Final terms. a) Non-callable. b) Call after nine years at 101½ declining ½% p.a. c) Coupon pays 10bp over 3-month Libor. Put at par in 1995. Additional £50m on tap. d) Fixed re-offer price. Non-callable. e) Global issue. Non-callable. Fixed re-offer price.

Sweden set to scrap securities turnover tax

By John Burton in Stockholm

THE Swedish Government is likely to accept proposals contained in an official study released yesterday to abolish the turnover tax on securities trading in favour of a special tax on companies in the financial sector, including banks, insurance companies, and brokerage firms.

The turnover tax, which now amounts to 2 per cent on securities transactions, has been blamed by the Stockholm Stock Exchange and brokerage firms for driving trading in Swedish blue chips abroad, primarily to London, following its introduction in 1984.

Mr Erik Asbrink, the deputy finance minister, indicated last week that the Government was willing to drop the tax to win back business to the Stockholm bourse. But he added that financial services firms should bear their fair share of taxation and expect to be taxed in other ways.

The study on the taxation of financial services proposed a new tax equivalent to 4 per cent of a firm's combined wage costs and profits. It predicted that the new tax, which would be introduced at the beginning of next year, would raise SKr1.8bn yearly. The Government would net SKr600m, since the abolition of the securities tax would represent an estimated loss of SKr1.2bn in revenue.

The study justified the new tax by arguing that many financial services were now exempt from VAT, which was applied to most other goods and services in Sweden. "This amounts to subsidy for businesses and customers in the sector," the study said. Financial services that are VAT exempt include lending, foreign exchange transactions, bond trading and insurance.

It added it would be difficult to impose directly a VAT surcharge on these services, but the new proposed tax on wages and profits would generate revenues equivalent to the amount that would be produced from a VAT system. The new tax would also circumvent EC rules which bar VAT taxation of financial services.

Hungarian funds slow to place investment cash

Nicholas Denton examines the difficulties western institutions face as they race to set up funds in Hungary

One of the dynamics of the east European queue has been the tendency of buyers to take the length of the line as sufficient evidence of the availability of goods at the end of it.

The western world's financial institutions, racing to set up investment funds in Hungary, are no exception: indeed, they provide one of the country's few remaining examples of the phenomenon.

Last week's launch of Merrill Lynch's Austro-Hungary Fund lifted the sum of investment funds targeted at Hungary to above $200m. The fund, $25m of which is devoted to Hungary, joins the $80m First Hungary Fund of Mr Andrew Sarlos, the Canadian financier, and John Govett's $100m Hungarian Investment Company (HIC).

As if these three did not already constitute a crowd in what remains a small investment backwater, five more funds are at the advanced planning stage, three of which should be launched in the next few months.

Japan's Nomura Securities, Wainwright Investors, KR & Partners which is backed by Swedish interests, Euroventure of the Netherlands, and the London arm of Paribas are all *organising new Hungarian* investment vehicles, according to the highly placed government officials.

The value of each would range between $50m and $150m. Is the rush of funds into Hungary, is this a case of too much money chasing too few goods?

However, the painfully slow pace at which investment funds are being channelled into the market place shows Hungary cannot yet absorb all the capital thrown at it.

So far, only two significant investments have been made: by First Hungary in Chinoin, a pharmaceuticals company, and by HIC in Graboplast, a textiles firm.

HIC hopes for another five *deals within six months*, but this would require a significant acceleration of the investment process.

Three main reasons lie behind the scarcity of objects for investment: the stock market is embryonic; Hungarian companies are smaller than those to which investment funds are accustomed; and many firms are more interested in strategic, active partners than in passive investors.

The opening of the Budapest Stock Exchange, on June 21, may provide a psychological boost to market investment liquidity. Nevertheless, only 50 shares initially will be listed and of them only two will be newly floated companies.

The Austro-Hungary fund will be affected more than the others by the narrowness of the Budapest stock market because the fund has eschewed private placement to concentrate on the purchase of Hungarian listed equities. The $25m it has set aside for this sounds paltry, but it is enough to swamp the market.

HIC aims at an average deal size of $5m but there are relatively few Hungarian companies worth that much outside *the country's unattractive* heavy industrial sector.

The preferred investment strategy of the funds is to take a share in a Hungarian company with an active western investor.

Hungarian enterprises are mostly attracted to joint ventures by the management expertise that a strategic partner can supply.

In turn, the participation of western management gives confidence to the investing funds.

But the limited value of most deals poses a generally unanswerable question: why should an active western joint-venture partner bother to share an acquisition?

At present Hungarian corporate managers put much more of a premium on physical skills.

The trouble with investment funds is that they have only money to offer.

BP senior debt upgraded

By Andrew Freeman

THE senior debt of the British Petroleum company and its related entities was up-graded yesterday from A1 to AA3 by Moody's Investors Service, the international credit-rating agency. Some $8bn of long-term debt is affected.

Moody's cited BP's strong cash generation capacity and hydrocarbon reserves and said the group had a sound basis for long-term diversification and growth. It said it expected BP to focus on improving returns on assets and to pursue a more conservative financial strategy after two decades of heavy debt financing of acquisitions.

In the medium-term, Moody's expected BP to concentrate on growing through its internal resources rather than via asset purchases. Debt ratios should continue to improve through growth of the company's capital base.

● Egypt plans to sell parts of some state-owned companies to workers. The plan includes shares in companies belonging mainly to the tourism and construction ministries.

Venture formed for Europe deals

STANDARD Chartered and its European partner Westdeutsche Landesbank Girozentrale plan a joint venture to arrange and invest in European leveraged buy-outs, writes David Lascelles.

CWB Capital Partners, will invest mainly in UK and German deals with a minimum value of DM100m. The banks believe that the market for buy-outs and change of ownership transactions will continue to grow in western Europe, particularly where companies are family-owned and experiencing succession problems.

Microtel financing move

By Stephen Fidler, Euromarkets Correspondent

MICROTEL, the joint venture establishing a new digital mobile telephone network in the UK, said yesterday it had appointed J.P. Morgan as the leading bank to raise £1bn to finance its capital expenditure until the end of the century.

The financing is expected to include a large portion of equity, perhaps just less than 50 per cent, and significant sums of non-recourse project finance to be syndicated among international banks.

The company's plans call for significant capital expenditure to start in the second half of next year.

Microtel, owned 44 per cent by British Aerospace, 25 per cent by Pacific Telesis, 18 per cent by Millicom and 13 per cent by Matra, is being advised by Kleinwort Benson.

● Smith Barney Harris Upham, the Wall Street securities firm, said that J. Perry Rudick, vice chairman and chief administrative officer, would take over senior management responsibilities for the firm's asset management services.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday June 19 1990. Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Jun 18 Index No.	Fri Jun 15 Index No.	Thu Jun 14 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (198)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	864.92
2	Building Materials (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1198.77
3	Contracting, Construction (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1641.42
4	Electricals (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2815.77
5	Electronics (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2265.47
6	Engineering-Aerospace (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.00
7	Engineering-General (43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.00
8	Metals and Metal Forming (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	518.83
9	Motors (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	324.39
10	Other Industrial Materials (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (179)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Packaging & Paper (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	OTHER GROUPS (104)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Conglomerates (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Water (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (481)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (107)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (67)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (679)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 18	Jun 15	Jun 14	Jun 13	Jun 12	Year ago
FT-SE 100 SHARE INDEX♦	2369.7	-0.8	2372.9	2348.9	2370.5	2392.3	2403.0	2405.4	2370.7	2164.8

FIXED INTEREST

	PRICE INDICES	Tue Jun 19	Day's change %	Mon Jun 18	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.09	-0.10	115.21	–	6.27
2	5-15 years	121.28	-0.04	121.33	–	6.80
3	Over 15 years	124.60	-0.09	125.09	0.38	6.15
4	Irredeemables	143.50	-0.58	144.33	–	6.36
5	All stocks	121.29	-0.07	121.41	0.03	6.63
	Index-Linked					
6	Up to 5 years	146.24	+0.06	146.15	–	1.49
7	Over 5 years	138.14	-0.07	138.55	0.31	2.03
8	All stocks	138.64	-0.06	139.00	0.29	1.99
9	Debentures & Loans	98.59	+0.09	98.72	0.22	5.86
10	Preference	73.87	-0.05	73.90	–	3.09

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 19	Mon Jun 18	Year ago (approx.)
	British Government				
1	Low	5 years	11.09	11.07	10.02
2	Coupons	15 years	10.87	10.77	9.59
3		25 years	10.77	10.68	9.38
4	Medium	5 years	12.13	12.09	11.12
5	Coupons	15 years	11.24	11.24	10.07
6		25 years	10.87	10.86	9.60
7	High	5 years	12.24	12.19	11.25
8	Coupons	15 years	11.49	11.49	10.29
9		25 years	11.09	11.09	9.78
10	Irredeemables		10.72	10.65	9.38
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.28	5.29	3.86
12	Inflation rate 5%	Over 5 yrs.	4.19	4.18	3.79
13	Inflation rate 10%	Up to 5 yrs.	4.15	4.16	3.05
14	Inflation rate 10%	Over 5 yrs.	4.00	3.99	3.61
15	Debs &	5 years	13.45	13.59	12.37
16	Loans	15 years	12.86	12.87	11.72
17		25 years	12.86	12.87	11.29
18	Preference		12.50	12.50	10.32

♦Opening index 2349.1; 9 am 2355.5; 10 am 2358.5; 11 am 2364.4; Noon 2367.4; 1 pm 2363.7; 2 pm 2364.0; 3 pm 2364.9; 4 pm 2369.5; 4.10 pm 2370.3; (a) (b) 8.32am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	58	22
Corporations, Dominion and Foreign Bonds	0	5	18
Industrials	246	469	864
Financial and Properties	116	231	395
Oils	23	26	39
Plantations	1	3	6
Mines	33	42	90
Others	23	113	95
Totals	459	947	1,529

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] ... based on latest annual earnings. [illegible] Dividend and yield based on prospectus or other official estimates for 1990. [illegible] Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market. [illegible] Units comprising 11 new ord. & 2 warrants. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

● First Dealings June 18
● Last Dealings June 29
● Last Declarations Sept 20
● For settlement Oct 1

For rate indications see end of London Share Service

Calls in Bimec Inds., Ford Sellar Morris Props., Grootvlei and Oliver Res. Put and call in Bletchley and Bula Res.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*499)	460	49	67	80	3	9	12
	500	16	40	57	16	22	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Biscuits (*354)	330	30	41	52	3	8	10
	360	9	[illegible]	32	11	19	[illegible]
Unilever	650	46	77	93½	4½	13¼	22½

Option		Calls			Puts		
Amstrad (*67)	60	8	12	15	½	3	[illegible]
	70	1	6	9½	[illegible]	7½	9½

June 19 Total Contracts [illegible]
Calls 8,401 Puts 138
FT-SE Index Calls 3,685 Puts 5
Euro FT-SE Calls 4,785 Puts 133
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Progress limited by fall in the contribution from Johnson Matthey

Charter Consolidated 12% higher

By Andrew Bolger

THE PROGRESS of Charter Consolidated, the industrial holding company which is being refocused under a new chief executive, has been curbed by its 38 per cent stake in Johnson Matthey, the precious metals marketing and refining group.

Charter yesterday reported a 12 per cent increase in pre-tax profits to £75.8m in the year to March 31, but earnings per share were flat at 43.6p (43.1p).

Charter said this was because Johnson Matthey's contribution to operating profits was 24 per cent down on the previous year at £18.7m, taking into account provisions for major rationalisation which was being implemented by Johnson Matthey's new management.

Mr Jeffrey Herbert, who took over as chief executive at the beginning of January, said Charter should not be viewed as a portfolio but as a group, focused on four areas – building products and services, mining equipment, railtrack services and quarrying.

Mr Herbert said that as part of this strategy low-yielding assets which did not fit in with the group would be sold for cash. However, Charter would maintain its stake in Johnson Matthey, which he felt had some way to go in terms of improving efficiency.

Operating profit was boosted by a net pension credit of £900,000 last year, compared with a £4.2m charge last year. Charter, which has markedly reduced the size of its head office in recent years, said accounting for pensions under the new standard, SSAP24, would continue to save it about £4m every year for the next 10 years.

In mining equipment, Anderson Group increased operating profit to £8m (£7.2m), with a 14 per cent increase in turnover. A programme of disposals and closures had reduced Anderson's number of plants from 11 to five, cut 10 tiers of management to five and reduced staff numbers from 3,400 to 2,600.

In building products and services, operating profit at Cape, of which Charter owns 68 per cent, increased by 29 per cent to £15.4m. Mr Herbert said only 10 per cent of Cape's sales were dependent on the British housing market, but overall 70 per cent of its sales were in the UK and he was keen to reduce the exposure of Cape, and Charter as a group, to the British economy.

Jeffrey Herbert: low-yielding assets to be sold

Pandrol International, the railtrack services company, saw turnover increase to £58.7m (£41.8m) and operating profit rise by 30 per cent to £6.1m. Most of the growth in turnover came from the track maintenance division, after acquisitions of £22m in the US. Pandrol's annual turnover was expected to double in the current year following these acquisitions.

Cast Resources, which was formed to manage Charter's quarrying and mining activities, made operating profits of £2.5m on turnover of £55.1m.

Charter had net cash balances at the year-end of £90m, which Mr Herbert said would be used for more acquisitions. This helped increase interest income to £16.8m (£14.7m).

Net assets per share fell to 475p (538p), mainly because of the reduction in market value of its Johnson Matthey stake. The group's tax charge rose from 26 per cent of pre-tax profit to 31 per cent. A proposed final dividend of 13p makes a total of 19.5p for the year, an increase of 13 per cent.

In April Charter raised £27.7m by selling 2.7m shares in Minorco, the Luxembourg-based offshore investment vehicle of Anglo American, the South African mining group. Minorco has a 36 per cent stake in Charter and its chief executive, Sir Michael Edwardes, is chairman of Charter. Sir Michael said Charter would dispose of its remaining stake in Minorco, at present worth about £24.5m, but only when it judged market conditions were appropriate.

See Lex

Dissident trio aim to control Rex Williams

By Clare Pearson

DISSIDENT shareholders Mr Rex Williams, the snooker player, Sir Fred Pontin, the holiday camp veteran and Mr Leon Andrews Zanneton, a businessman, yesterday launched an attempt to gain control at Rex Williams Leisure, now in the hands of administrators.

In a letter sent yesterday, Mr Zanneton called shareholders to an informal meeting on the morning of June 27, ahead of meetings arranged by the administrators from accountants Stoy Hayward with shareholders and creditors later in the day.

The trio aim to prevent shareholders approving a conditional agreement struck by the administrators last month whereby its business would be sold to Mr Jeffrey Williams, its chief executive.

They also want to remove the board and acquire control themselves.

The resolution to be put before shareholders asks for approval of the agreement with Findchange, a vehicle of Mr Williams, whereby it bought all Rex Williams' coin operated machines for £150,000 and took over £1.07m worth of leasing liabilities.

The agreement also gave to Findchange "an assignable option to sell to the company all the fully paid-up shares in a limited liability company with a view to effecting a reverse takeover."

"This resolution is too vague for shareholders to see what they are really voting for," Mr Zanneton said.

To refinance the company the trio are proposing to offer redeemable preference shares to the company's creditors, to reduce the nominal value of the share capital and to launch a rights issue "so that shareholders may have a chance of recovering their original investment."

Mr Zanneton said they had no objection to selling the assets to Mr Jeffrey Williams "at a fair price."

In their report, the administrators, Mr Raymond Hocking and Mr Peter Copp, said the agreement with Findchange was necessary to keep the company going prior to a shareholders' meeting.

Negotiations with potential purchasers of the company had foundered on the finance liabilities, substantially greater than the asset value.

The administrators were appointed early in May after Rex Williams' shares had been suspended at 10p. In the 18 months to May 1989, the last period on which it reported, Rex Williams lost £1.87m before tax.

Mr Rex Williams, the eponymous founder of the company, resigned as a director last November.

In April this year, Mr Frank Warren, who had had a turbulent career at the company after he took control in 1987, resigned as chairman. He had been shot in the chest last November.

Cold War thaw leaves ML with £3.14m in reorganisation costs

By Andrew Hill

THE THAW in the Cold War cost ML Holdings, the aerospace and component distribution company, £3.14m last year – the bill for reorganising its defence division to cope with reduced demand.

ML unveiled a 23 per cent increase in pre-tax profits to £10.6m in the year to March 31, compared with £8.63m in 1988-89. But the extraordinary loss on the defence reorganisation, offset by a £1.24m profit on the sale of the Plymouth engineering subsidiary, meant a slight reduction in after-tax profits.

Turnover increased slightly from £112m to £113m, and earnings per share rose to 13.8p (11.3p). The group recommended a final dividend of 2.6p per share making 3.45p (2.85p) for the full year.

Mr Peter Pollock, chief executive, said the defence division had now been cut down to a size which would match future demand and perhaps even enable it to expand slightly. ML also completed the contract for JP233 bomb dispensers, which used to be the core of its business, during the year.

"At the interim stage we realised that we would have to change our strategy, but three years ago we were already planning for the end of JP233 and in coping with that we had decided to grow the four other business activities outside defence," said Mr Pollock yesterday.

ML expects defence to contribute only 25 per cent of profit and turnover next year, compared with 33 per cent in 1989-90 and more than half the previous year.

Mr Pollock said he thought the aircraft and cargo handling division would be the most important part of the group's operations in future. Last year it accounted for 25 per cent of the business, the same as the component distribution side.

The group's other non-defence divisions are safety and survival, and composite structures.

● COMMENT

ML came in ahead of expectations with these figures, and the hefty extraordinary cost of revamping the defence division should convince sceptics that the changes are more than cosmetic. If Mr Pollock is correct and no more restructuring is necessary it will be something of an achievement. As recently as last year the group's chairman described defence as "the core and largest segment of our business" in an annual report with a picture of a missile-launcher on the cover. Perhaps the only disappointment was the high gearing figure – between 40 and 50 per cent – although interest is well-covered and borrowings could be halved if ML succeeds in selling its Maidenhead development site. The shares were unaffected by yesterday's defence shakeout (ML is not involved with the Tornado project), rising 3p to 112p. If profits rise to £11.5m or £12m before tax this year, they are on a prospective multiple of a little more than 7, which looks increasingly attractive.

Dispute takes toll on Volex

By Andrew Hill

A 15-WEEK strike by engineering workers and the difficult climate for housebuilders and electrical retailers hit annual profits at Volex Group but the electricals combine still recommended an increased dividend.

Profits for the 12 months to end-March fell from £9.14m to £7.01m before tax but after exceptional restructuring costs of £1.27m. A final dividend of 10.5p is proposed, making 17p (15p) for the year.

Turnover rose marginally from £102.6m to £103.2m.

Reduced trading volumes forced the group to cut 261 jobs – 30 per cent of the workforce – at its accessories division, which supplies the domestic and housebuilding markets and incurred a loss in the second half of last year. Closure of the division's metal components operation cost a further £862,000 which was taken below the line.

Mr Howard Poulson, who joined the group as managing director and chief executive in March, said he expected some improvement in market conditions towards the end of the current year.

"We haven't assumed there will be any change in interest rates or upturn in demand for the domestic accessories business during the first six months of the year. Trading is not going down, but it's not going dramatically up either," he said yesterday.

During the year borrowings improved relative to shareholders' funds, from 16 per cent to 14 per cent, in spite of the cash cost of redundancies. Mr Poulson said the difficult trading conditions would not necessarily hold back Volex's plans to expand by acquisition.

"What I'm hell-bent on doing is spreading our risk away from just the UK economy, so I think we want a better geographical spread and higher technology areas, where we can see a better-margin business," said Mr Poulson.

The share price slipped 2p to 305p.

Fashion & General liquidation proposal

By Nikki Tait

FASHION & General Investment, the smallest of the four investment trusts managed by Finsbury Asset Management, yesterday unveiled plans for liquidating the fund.

It intends to realise all but eight assets. The exceptions are shareholdings in Rea Brothers, Ocean Wilsons, Jastlin, PC Security, Blue Ridge Real Estate Company, Big Boulder Corporation, unsecured loan notes of PC Security and a leasehold property interest in Sheffield.

This bundle of assets will go to Scottish & Mercantile, another trust in the Finsbury stable and a 76.4 per cent shareholder in F&G. The cash from the remaining assets will be distributed pro rata to other shareholders, with S&M's entitlement reduced to reflect the other assets it is receiving.

F&G, which indicated that it planned a voluntary liquidation earlier this month, said yesterday that the small size of the trust had determined the choice of liquidation as the means of winding-up the fund. F&G is capitalised at £6.8m.

F&G has already declared a second interim dividend of 11p for the year to end-March. There will be a further dividend for the period from April 1 to July 10, amounting to almost all of the distributable income for that period, which is expected to be not less than 8p per share.

Listing is restored as Bremner meets Stock Exchange demands

By James Buxton, Scottish Correspondent

BREMNER, the former owner of a Glasgow department store, where some shareholders are attempting to have the board removed, had its share listing restored by the Stock Exchange yesterday.

This followed the issuing of a circular by Mr James Rowland-Jones, chairman, which met Stock Exchange demands for information about the current state of the company.

An extraordinary meeting is to be held on June 29, requisitioned by a group of shareholders accounting for more than 40 per cent of the equity who want the resignation of Mr Rowland-Jones and the entire board, in order to replace them with four directors from the Scottish financial community.

The Stock Exchange reserved the right to suspend the shares once more immediately after the EGM.

In his circular Mr Rowland-Jones said that the company, whose principal asset is the £5.5m in cash from the sale of its department store in Glasgow, was negotiating to buy three properties in southern England for £4m, £1m and £600,000.

The properties, which would be bought as an investment, would produce an annual income of £585,000. Other purchases were being considered.

He said Bremner had sold part of a site at Manchester for £50,000 and was negotiating the sale of two other parts of the site while retaining the main buildings. He said Bremner owns a building in Chorlton-cum-Hardy with a rental of £69,000.

The four men who are being proposed as replacements for the current Bremner board, led by Mr David Low of the Edinburgh stockbroker Torrie & Co, have written to shareholders saying that if elected they would use Bremner's cash to buy a business with a proven track record.

This would ensure that Bremner was no longer a cash shell, enabling it to satisfy Stock Exchange requirements and retain its listing in the long term.

Widney back on acquisition trail

By David Owen

WIDNEY, the Solihull-based engineering group, is to buy Chadburn Holdings, the engineering arm of Porter Chadburn – the leisure products, distribution and packaging company – for a minimum of £3.79m payable partly in shares.

The acquisition is Widney's first since it was rescued last December through a management buy-in by Mr David Cassidy and Mr Paul Lines last December. Formerly, they were respectively finance director and commercial director of Porter Chadburn.

Widney will pay £1.71m cash and allot 19m new ordinary shares, to bring its total issued to 56m. These have been conditionally placed by Laing & Cruickshank at 11p.

A further maximum £455,000 will be payable within two months of completion to settle the balance of inter-company accounts due from Chadburn Holdings to Porter Chadburn. In addition, the vendor is to receive a dividend of £250,000 for the year to March 30 1990.

Chadburn Holdings' main operating subsidiary is Porter Chadburn Engineering, a Bootle-based manufacturer of keg and cash plant for the brewing industry, beverage dispensing machines and power transmission components.

The group, which has 228 employees, is also stepping up its activities in water and waste treatment. It made pre-tax profits on ordinary activities of £706,000 on turnover of £8.59m in the year to March 30.

According to Widney, the acquisition will "provide the enlarged group with a sound foundation for internal growth and for further acquisition in the engineering area." It anticipates that the UK markets for water purification and treatment will continue to grow.

Porter Chadburn said its engineering businesses represented a small and decreasing proportion of the group and have reached a stage where future growth would require further investment. The proceeds will initially be used to pay down debt.

Widney shares fell 1p to 11p, while Porter Chadburn shares were unchanged at 76p.

Vard listing expected to be granted today

Vard, one of the largest publicly-quoted Norwegian companies, has applied for a listing on the London Stock Exchange. The listing, sponsored by Enskilda Securities, is expected to be granted today.

Vard, which is capitalised at about NKr3.9bn (£350m), has four operating divisions: Kloster Cruise, one of the three largest cruise operators in the world; Larvik Line, a ferry operation between Norway and Denmark; Finanshuset, a financial services operation; and Bassoe, an international shipbroker.

Pembridge sale

Pembridge Investments has entered into an agreement for the sale of John Heath to American Trading and Production. Heath is the second largest wholesaler of stationery and office products in the UK.

Receivers called in at Spice and buyer sought

By David Owen

RECEIVERS were called in yesterday at Spice, the USM-quoted motor parts distributor, just four years and four months after the company was floated.

The group had said last month that it was looking for a partner to reverse into it. It had been expected to lose between £6m and £7m this year after write-offs, following a £6.37m pre-tax loss in the year to September 30.

Mr Christopher Morris and Mr Tony Houghton, of accountants Touche Ross, were appointed joint administrative receivers.

Meanwhile, dealing in Spice shares was suspended at 7p, at the company's own request.

According to Touche Ross, initial estimates put the value of the company's total debts at some £3.5m, including unsecured loan stock.

A purchaser for the business is being actively sought.

In the meantime, the company is to continue to trade as a going concern.

Over an 18-month period, Spice had drastically pruned its operations, selling its national distribution centre, six cash-and-carry centres and its head office, to base its business on a single cash-and-carry outlet in Staines.

It had also reduced staff from 400 to 25 and cut bank borrowings from £7m to £1.25m. In 1989, it launched two rights issues, the latter on a three-for-four basis at 20p.

The eponymous business was founded by motor sports enthusiast Mr Gordon Spice, one of the fastest Mini Cooper racers of the 1960s. British Saloon Car Championship class title-holder for seven years in a row, and former winner of the Spa 24 Hours. Mr Spice resigned from the chairmanship last month.

British Coal pension funds control 35.4% of Globe

By Nikki Tait

THE £1bn bid from the British Coal pension funds for Globe, Britain's biggest investment trust, marked time yesterday with the bidder announcing that it controlled 35.4 per cent of its target by Monday's second close.

The bulk of this figure is accounted for by shares which BCPF already owns; acceptances amounted to only 1.42 per cent of Globe's equity.

The latest control level represents only a very modest increase on the 35.24 per cent which the bidder had secured at the previous closing date in early June. BCPF said that some 1,823 private shareholders had now accepted, compared with 1,617 previously. However, this is still less than 5 per cent of the total number of individual investors in the trust.

The offer has now been extended until Monday, June 25. This is day 46 of the bid – the last date on which the bidder can raise its terms. The market is widely expecting the coal funds to improve on their current 191p-a-share offer and yesterday Globe shares were unchanged at 205p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Archimedes IT ......int	7.25	-	6.25	-	16.5
Bradford Prop ......fin	1.7	Aug 2	1.5	3.2	2.8
Chancery ......fin	5.9†	-	5.5	9	8
Charter Cons ......fin	13	Aug 1	12.5	19.5	17.25
Continuous Stat ......fin	2.8	Aug 2	2.6	4	3.5
Davenport K'wear ......fin	8.03	Oct 1	8.03	8.03	8.03
GEI ......fin	4.85	-	4.4	7.2	6.54
Jones & Shipman ......fin	3	Aug 22	3.35	6‡	4.5
ML Holdings ......fin	2.6	Oct 1	2.13	3.45	2.85
Shanks & McEwan ......fin	14.3	July 31	12	22.8	19
Stoddard Sekers ......fin	1.95	July 26	1.95	2.5	2.5
Volex ......fin	10.5	Oct 1	10	17	15

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡For 15 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ball (AH), Bangkok Investments, Electra Investment Trust, Hoskyns, Sheriff.

Finals- Booth Industries, Davy Corporation, Erostin, Hambros, Marina Developments, Mountview Estates, Phoenix Timber, Premier Consolidated Oilfields, Quiligotti, Stirling, Tams (John), Unigate.

FUTURE DATES

Interims-	
Capital & Counties	Aug. 13
Omnitech	June 22
Finals-	
Alpine	June 21
Amber Industrial	June 25
Carroll (P.J.)	June 28
Cranswick Mill	June 27
Cullen's	June 29
Dunlop Plantations	June 29
Gold Greenlees Trott	June 21
MS International	June 28
Marling Industries	July 2
Merrydown Wine	July 30
Northumbrian Water	July 4
Tilling (Thomas)	June 29
Vardy (Reg)	July 4
Wilshaw	June 28

UK COMPANY NEWS

Waste management, where spending was concentrated, contributes 80% of profits

Shanks & McEwan 29% ahead to £17.4m

By Jane Fuller

SHANKS & McEwan Group, one of the UK's biggest waste disposal concerns, increased pre-tax profit by 29 per cent to £17.44m in the year to March 31.

Turnover grew at a similar rate to £111.54m (£87.04m).

The price of the tightly-held shares gained 53p to close at £14.03.

Waste management accounted for 80 per cent of pre-tax profit. Mr Peter Runciman, chairman, said that compared with 68 per cent in 1987, after the group had acquired the London Brick waste disposal division of Hanson Trust, which retains a 17.3 per cent stake in the group.

Shanks has 12 large landfill sites, including Scotland's biggest, near Airdrie. The group handled 21 per cent more waste than in 1988-89 and prices rose by about 16 per cent.

Both capital spending and acquisitions have been concentrated on the waste side and they totalled £21m last year.

The group remained a receiver of interest, with £524,000 compared with £1.07m.

Mr Runciman said it was using its landfill capacity at the rate of 6.5m cu m a year. In March, the amount of planned and licensed space stood at 81m cu m. It had rights to acquire a further 160m cu m.

Mr Roger Hewitt, managing director, said the group would benefit from environmental protection legislation, due to be enacted by this autumn.

Once the producers of waste were made responsible for seeing that it was safely disposed of, they would seek out companies like Shanks that had reached a specific quality assurance standard. This would squeeze out the "Steptoe element".

On the construction side, which accounted for 9 per cent of profit, sales grew by 10 per cent and profit by 15 per cent.

Mr Runciman said the group was in three resilient areas: the building of roads, sewage plant and waterworks. The order book was, however, below the record level of a year ago.

Shanks has a one third holding in a company that processes slag at Ravenscraig steelworks. Its profit contribution topped £1m (£950,000).

The planned closure of the hot strip mill would not hit it, Mr Runciman said, but the overall reduction in steel demand was affecting liquid steel production and hence the associate.

Fully diluted earnings per share rose by 21 per cent to 53.3p (44.2p), after an increase in the tax charge from 30.3 per cent to 34.7 per cent.

A final dividend of 14.3p is proposed for a total of 22.8p (19p).

COMMENT

Shanks again fulfilled its pledge to increase earnings by 20 per cent a year. Its array of clay sites and recognised high standard of operation put it in a good position to exploit the inexorable tightening of environmental legislation. While it plays down the importance of the "green" tag in its high stock market rating, it is far from coy on other aspects of public relations, such as environmental audits and an open door policy at its sites, which help it to overcome planning obstacles. A pre-tax profit forecast of £21.5m gives a prospective p/e of 22, which is even higher than its waste-disposal compatriots. Its growth prospects make it worth holding. As the price had previously come down from the dizzy heights of £18, there is also a school of thought that it is worth buying.

Trevor Humphries

Peter Runciman (left) with Roger Hewitt: the "Steptoe element" will be squeezed out with tighter environmental controls

Fitch-RS shares fall 43p after job losses and profits warning

By Alice Rawsthorn

FITCH-RS, the design and architecture group, yesterday saw its shares tumble 43p to 105p when it issued a profits warning and announced 20 redundancies at its London companies.

Mr Rodney Fitch, chairman, said this year's profits would show a major reduction on last year because of the decline in demand for design and architectural services in the UK. The group made pre-tax profits of £3.71m on turnover of £25.82m in 1989.

The profits warning comes at a time when the design industry is under intense pressure because of the impact of high interest rates on the UK economy. Michael Peters Group, another leading design consultancy, is struggling to stabilise its finances after announcing substantial losses for the first half of its financial year.

Fitch started to suffer from the downturn in demand for retail design, its core activity, in the second half of last year. The retail design sector has been hit by the slowdown in consumer spending and the corporate problems of a number of large retail groups.

Since the beginning of this year the group has also experienced difficulties in its architecture division. The level of demand for commercial architecture has been depressed by the impact of high interest rates on the property market.

Mr Quintin Price, an analyst at James Capel, has downgraded his profits forecast for the company to £1m for the present financial year. He said Fitch could expect a tough time but it was at least taking early action to get to grips with its problems.

Earlier this year Fitch announced 25 redundancies in its retail design interests. Yesterday a further 22 people were laid off by the company. The latest cuts were concentrated in the architecture division, although five people from the group's central staff would lose their jobs as a result of its move to a new studio complex at Kings Cross in London this weekend.

A year ago Fitch employed 400 people in the UK. The combination of the two rounds of redundancies and natural wastage has reduced the workforce to 325, although the group employs nearly 500 people throughout the world.

Mr Ian Cochrane, group managing director, said there was no sign of an improvement in UK trading conditions. However, he added that all the companies would trade profitably. Moreover, Fitch should compensate with a strong performance from Richardson-Smith, the US product design consultancy acquired two years ago, and from its start-ups in Spain and West Germany.

Rodney Fitch: seeing a major reduction in profits

GEI offsets new venture costs in 12% advance

By Nigel Clark

GEI International, the packaging, processing machinery and special steels group, saw annual taxable profits increase 12 per cent to £7.34m, against £6.55m. Mr Thomas Kenny also announced his retirement as chairman to become president.

Mr Kenny, now aged 70, took the opportunity of reporting the results to take some typical sideswipes at modern views, including the treatment of goodwill and present trading conditions.

Goodwill on recent acquisitions totalled £5.3m and was written off against the profit and loss account. Mr Kenny said that moves to write it off over 20 years or capitalise it were book-keeping nonsense. "The goodwill cost is an invisible asset".

On the present year he said that a poor degree in economics was not necessary to reach the conclusion that trading was going to be difficult. "Expressions of gloom are infectious but I have not contracted the disease." He added that it would be silly to be buoyant but "I am reasonably confident that our results to March 31 1991 will make for pleasant reading."

Turnover for the year to the end of March was £70.94m (£72.23m), the fall resulting from the sale of Midland Bright Drawn Steel. Almost half of the sales were from overseas.

Mr Kenny said that all three divisions reported good results with processing machinery and special steels both improving turnover. Packaging machinery sales were £32m including a substantial order in a new venture which, because of the learning and development costs, left profits lower. However the experience would yield good results in the future, Mr Kenny said.

The pre-tax figure included net interest received of £659,000 (£29,000). Earnings per share were 13p (11.4p) and the directors are proposing a final dividend of 4.85p making a total for the year of 7.2p (6.54p).

NEWS IN BRIEF

ARCHIMEDES INVESTMENT Trust had a net asset value per capital share of 484.62p (523.19p) on April 30. Net revenue for the six months amounted to £118,468 (£105,498) for earnings per income share of 9.67p (8.61p). The interim dividend is lifted by 1p to 7.25p.

FINLAN has received £2.43m for a 14 per cent stake formerly held in Retail Corporation.

GENERAL ACCIDENT Fire and Life Assurance Corporation and English and American Group have reached agreement in principle for EAG and other consortium partners to acquire the New Zealand Reinsurance Company of America from NZ Re Holdings, a subsidiary of NZI Corporation, a wholly-owned subsidiary of GA. Consideration was not disclosed.

HALL ENGINEERING – Alfred McAlpine has disposed of its entire holding of 2.85m shares (9.9 per cent). RNC Hall has acquired 5,000 at 135p and now holds 633,444 (2.2 per cent); Abacus Nominees has acquired 180,000 at 135p and now holds 1.78m (6.2 per cent); Hall 1971 Pension Fund has acquired 75,000 shares at 135p and now holds 1.17m (4.1 per cent); and Hall 1974 Pension Fund has acquired 45,000 shares at 135p and now holds 4 per cent.

LLOYDS CHEMISTS' cash offers for Cross and Herbert ordinary and preference shares have been declared unconditional. Valid acceptances were received in respect of 361,322 C and H ordinary (95.59 per cent) and 37,225 preference shares (94.9 per cent).

NESTOR-BNA has entered into a conditional agreement to sell Little Dean House, a 28-bed nursing home in Hampshire, for £602,500 cash.

TILBURY GROUP has exchanged contracts for the sale of the major part of the tenanted residential property trading stock of its subsidiary Tilbury Estates to Mountview Estates. The sale is of 262 properties.

WACE GROUP is to acquire Albedene Sales and Albedene Colour for an initial consideration of £240,000 to be satisfied by the issue of 36,878 new Wace ordinary and £120,000 cash. Further performance-related payments, subject to an overall aggregate ceiling of £490,000, may be payable to the vendors.

Chancery improves to £7.9m in spite of debts provision

By David Lascelles, Banking Editor

CHANCERY, the banking and financial services group, reported a 16 per cent gain from £6.8m to £7.9m in pre-tax profits for the year to March 31 1990, but was hit by provisions for bad debts, particularly in the property business.

Mr Harvey Cohen, chairman and chief executive, said he was nonetheless pleased with the result because it enabled the group to begin its new year "with more of a buffer" against tougher trading conditions.

The banking division continued to expand its loan activities, but more cautiously and in ways which diversified it away from property, notably into hire purchase, factoring and shipping. Mr Cohen said property had fallen from 60 per cent of the loan book to 50 per cent, and would probably drop to 40 per cent this year.

Stockbroking contributed about £500,000 before tax and was growing in spite of a sluggish market. Profits from financial services, including life insurance and pensions, were unchanged at £2.2m.

The group specialises in Business Expansion Schemes. Mr Cohen said it estimated that its share of the market had risen from 9 per cent to 14 per cent, and would continue to expand with Chancery now in second place in the business.

Mr Cohen said the group expected to maintain organic growth. The residential property market seemed to be levelling off, he said, but commercial property was still falling.

Chancery expected to make a subordinated loan stock issue of £4m to £5m.

Earnings rose 10 per cent to 24.9p (22.7p), while the dividend is lifted 12.5 per cent – the final is 5.9p for a total of 9p (8p). Total assets grew by 33 per cent to £164m.

UK COMPANY NEWS

Obliterating the wildcat risks

James Buxton reports on Pittencrieff, a small Scottish oil company which is applying for a listing on the London stock market and which prides itself in investing only in oil and gas operations that are already producing

SMALL OIL companies tend to be associated with the high risks of wildcat drilling in previously untouched licence blocks.

But an Edinburgh-based oil company, which is applying for a Stock Exchange listing and issuing its prospectus today, prides itself on doing no wildcatting and invests only in oil and gas operations that are already producing.

Pittencrieff is an oil investment company. It exploits a niche by buying under-performing oil and gas businesses in the US and running them more efficiently to produce higher cash flow, with an eye to the assets becoming more valuable as oil and gas supplies in North America tighten. It raises its capital in the UK.

"We're not trying to do anything clever like trying to find oil where Exxon failed," says Mr Terry Heneaghan, executive chairman of Pittencrieff, a stocky 43-year-old Scot who has spent much of his career with major oil companies.

Pittencrieff was founded in 1981 but its success as an oil investment company can be measured by the fact that by 1987 it had net assets worth only £60,000. Then Mr Heneaghan arrived, making it his vehicle for oil industry activities – he now owns 5.1 per cent of its equity.

First Pittencrieff was refinanced in October 1987 by institutional and personal investors with a £1.3m rights issue organised by Quayle Munro, the Edinburgh merchant bank.

Then in July 1988 Pittencrieff acquired Ukatex Resources, based in Abilene, Texas, which was managed by Mr Robert Wolsey, a former associate of Mr Heneaghan.

Mr Wolsey's team at Ukatex provides the management which runs all Pittencrieff's US operations, while Mr Heneaghan and Mr Doug Sinclair, finance director, run strategy and finance from a tiny office in Edinburgh.

Pittencrieff made three acquisitions between December 1988 and December 1989: it bought a company named Keldon; acquired the US oil and gas interests of Seahawk; and bought those of Geovest, each financed by the issue of new ordinary and cumulative preference shares.

Through Ukatex, Pittencrieff now controls 670 wells and has royalty interests in 324 more all over the southern and western US, but mainly in Texas and Oklahoma, producing 4,000m cubic feet of gas and 400 barrels of oil a day. The company has 1.8bn barrels of proved oil reserves and 11.7bn cubic feet of gas reserves.

Pittencrieff's strategy is based on the fact that there are many small oil and gas producing companies in the US which own useful assets but which are not particularly well-run – "a lot of managements and their shareholders are tired," says Mr Heneaghan.

Often these companies are owned by people with little experience of the oil industry and may be burdened with debt, strapped for cash and in other ways incapable of making the most of their resources.

In the case of one of its purchases Pittencrieff found the company it had bought had sets of offices in two different states; the operating of its oil wells was expensively sub-contracted; overheads and debt-servicing costs were high; and a potentially lucrative gas sale contract was not being honoured by the customer. The new managers trebled gas production and by stimulating the wells could treble it again.

By stripping out the companies originally holding the assets, Pittencrieff achieves an immediate saving in administrative costs. Next, "we cut costs and enhance the assets by doing maintenance that was not being done before," says Mr Heneaghan.

"We also try to raise output by recompleting the wells [attaching the well into a different geological zone] and doing development drilling. By increasing cash flow we can shorten the pay-back time on our investments to three to four years."

Pittencrieff has reduced the cost of operating its fields from about $2m to $620,000 a year, getting the average cost of lifting a barrel of oil down from $5.60 in 1988 to $3.80 in 1989 and this year to $3.20.

In the year to December 31 1989 Pittencrieff returned pre-tax profits of £708,000, up nearly 12 times on the previous year. Turnover rose to £2.1m (£346,000) as new assets were taken over. Debt is only about £500,000.

Terry Heneaghan – we're not trying to do anything clever

Getting the company quoted will enable Pittencrieff to issue new shares to finance more North American purchases, for which Mr Heneaghan believes there are good openings. The company's US office looks at one potential acquisition a week. "I'm not saying it's dead easy otherwise everybody would be doing it," says Mr Heneaghan.

Though the initial aim is to produce strong cash flow by better management, Pittencrieff also expects to achieve asset appreciation in the belief that gas and oil prices will rise in the 1990s.

It is widely accepted that the US surplus in gas production of the past few years is being eliminated, while US oil production declined by 5 per cent last year as reserves ran down. Oil analysts do not expect large new oil discoveries to be made to replace these reserves and the current number of drilling rigs operating in the US is only a quarter of those in service in the early 1980s.

Pittencrieff shares have up to now traded at about 122p on a matched bargain basis by Edinburgh stockbrokers Bell Lawrie White, and on this basis it is capitalised at £12.3m. The flotation on the Stock Exchange is expected to be at about the same price but will include a rights issue to raise some £8m.

"The cheapest oil and gas reserves are those that have already been discovered," said Ms Angela Burns, an oil analyst at County Natwest WoodMac.

"A company like Pittencrieff that is not putting a high percentage of its capital into high risk drilling has a lot of attractions for long-term investors."

NEWS DIGEST

Pension refund lifts Stoddard to £4.98m

STODDARD SEKERS International, the carpets and furnishing fabrics manufacturer, held its profit in the year ended March 31, reflecting the success of its strategy in the prevailing economic climate.

But taking in £1.23m gross refund of surplus from the pension scheme, pre-tax profits rose from £3.7m to £4.98m.

Directors said the market place remained uncertain. Taking into account benefits expected from continued capital investment, however, they took a positive view of the prospects for the current year.

Sales reached £45.26m and operating profit was £4.34m. That showed a decline on the respective £56.2m and £5.17m of 1988-89 which included £11.5m and £772,000 in respect of discontinued activities.

The good trading performance and strong financial control led to a reduction in borrowings from £2.59m to £390,000, cutting gearing from 16 to 2 per cent. Interest costs fell to £597,000 (£1.45m).

Earnings worked through at 6.1p (5.4p) and the final dividend is 1.95p for a maintained total of 2.5p.

East Worcs Water to raise £3.4m

East Worcestershire Waterworks is to become the first water supplier to raise money through an issue of stock since the privatisation of the 10 much larger water authorities last December.

East Worcestershire, more than 85 per cent of which is controlled by Biwater, the private water contractor, is to raise £3.4m with a tender offer of 9.75 per cent preference stock, redeemable in 1996-97.

The group is one of the UK's 29 smaller water companies, which supply water alongside the 10 recently-privatised water and sewage businesses. It was the first statutory water company to be taken over, following an agreed offer from Biwater and East Worcestershire management in March 1988.

Most of the proceeds of the tender offer will be used to redeem £2.5m of 7 per cent preference stock at the end of this month. However, the issue will also raise nearly £1m to help support the company's capital expenditure programme, much of which is financed by regulated price rises over the next 10 years. The new shares will not carry voting rights so there will be no dilution of existing shareholders' interests.

The offer for sale has been underwritten by Seymour Pierce Butterfield.

Cont Stationery doubled at £2.3m

Doubled profits were achieved by Continuous Stationery in the year ended March 30, with the pre-tax balance rising from £1.14m to £2.3m.

Mr Bill Eastwood, chairman, said the business forms division improved its trading margin on slightly lower turnover, reflecting the sale of the Blackburn business as part of the withdrawal from manufacturing. It was now aimed to build up the distribution side.

Manufacture of plotter rolls and other media products for the computerised drawing office continued at Fairfield Graphics, which increased turnover by 25 per cent.

Prontaprint improved operating profit from £1.2m to £1.9m, which Mr Eastwood described as very creditable. Turnover through the UK network of shops rose 13 per cent to £43m.

Group sales expanded 26 per cent to £21.63m (£17.16m). Earnings were 8.94p (4.72p) and the final dividend is 2.8p for a total of 4p (3.5p).

There was a move from net bank borrowings of £1.3m to net cash of £300,000 at the year-end, reflecting good trading cash flow and the disposals of the Blackburn business and the Prontaprint Communication licences.

Strong demand lifts Jones & Shipman

Buoyant demand throughout its product range helped Jones & Shipman, the precision grinding and honing machine manufacturer, to unveil profits of £2.07m pre-tax for the 15 month period to end-March 1990.

The outcome – achieved on turnover of £30.88m – compared with profits of £1.12m in the year to end-December 1988 when turnover amounted to £21.82m.

Mr Len Weaver, chairman, said the French and Italian operations made an "excellent contribution" to profits, while the joint venture in North American also made progress.

However, he warned that demand had reduced since the period end. Selling efforts, particularly in export markets, were being intensified to combat the impact of the decline.

Earnings per share expanded to 10.4p (6.2p), and a recommended final dividend of 3p makes a total of 6p (4.5p) for the period.

Davenport Knitwear declines to £0.6m

Profits of Davenport Knitwear fell from £1m to £605,661 pre-tax for 1989. Some £338,000 of the setback occurred in the opening six months.

Full year turnover declined by £777,000 to £6.27m – the Birmingham-based group manufactures knitted fabrics and garments.

Tax of £215,065 (£342,061) left earnings at 22.51p (38.08p) per 10p share. The single dividend is maintained at 8.08p.

Invicta Sound falls to £96,000

Invicta Sound, the Kent-based commercial radio station quoted on the USM, experienced poor trading in the six months to March 31 1990, and is unable to pay a dividend at this time.

Mr Richard Sturt, chairman, said profit was impaired by reduced growth in advertising and the commitment of substantial resources to establish new operations.

A satisfactory performance from those operations enabled turnover to improve to £1.97m (£1.77m). But pre-tax profit, after £20,000 redundancy and reorganisation costs, fell from £420,000 to £96,000. Earnings per share were 0.65p (3.23p).

Mr Sturt reaffirmed the commitment to pay a dividend for the year and said there could be an interim before September 30.

FT LAW REPORTS

Proceedings go ahead despite defective service

THE GOLDEAN MARINER
Court of Appeal (Lord Justice Lloyd, Lord Justice McCowan and Sir John Megaw):
June 14 1990

SERVICE of a writ on the wrong defendant, or service of nothing but an acknowledgement of service, does not nullify the proceedings but is an irregularity which may be cured by the court if the defendant did not suffer prejudice by it, and if he had no doubt that the plaintiffs intended to sue him and was aware of the nature of the action.

The Court of Appeal so held (Lord Justice Lloyd dissenting) when allowing an appeal by the plaintiffs, Golden Ocean Assurance Ltd and others, from Mr Justice Phillips's decision that service of seven writs on the wrong defendants nullified the proceedings in a claim against Mr Christopher Martin and others.

* * * * *

Order 2 rule 1 of the Rules of the Supreme Court provides: "(1) Where in beginning or purporting to begin any proceedings or at any stage in the course of ... proceedings there has ... been a failure to comply with the requirements of these rules ... the failure shall be treated as an irregularity and shall not nullify the proceedings ...

(2) ... the court may, on the ground that there has been such a failure ... set aside ... the proceedings ..."

* * * * *

LORD JUSTICE LLOYD dissenting said that the claim arose out of a casualty suffered by the Goldean Mariner on December 17 1984 on a voyage from Tubaro to Japan. Her hold was flooded and salvage services services were rendered. The salvors were awarded $2m. An average adjustment quantified the cost of repairs at $1.5m.

The plaintiffs claimed indemnity under contracts of insurance and re-insurance against 46 defendants in 26 different jurisdictions. The case was concerned with the 9th, 10th, 12th and 15th to 18th defendants. They were all American companies with whom part of the risk was placed by London placing brokers, through a New York broker, John F Curry Agency Incorporated. The 12th and 15th to 18th were members of a pool from whom Curry held a binding authority.

All 46 defendants appeared in the title to the writ. Beneath the title appeared the individual name and address of each of the defendants to be served. Owing to an error on the part of the American process servers, each of the writs was served on the wrong defendant.

The 10th defendant received no writ at all. All he received was a form of acknowledgement of service.

The plaintiffs contended that in each case the error must be treated as an "irregularity" and was therefore capable of cure under RSC Order 2 rule 1. They said the incorrect name and address must have been understood by the recipient as a misdescription, and should be disregarded. As for the 10th defendant, it was contended that he must also have understood that he was intended to be sued, and the fact that he never received a writ at all might also be treated as an irregularity.

Mr Justice Phillips rejected those arguments. On the present appeal the question was whether what happened could properly be described as "failure to comply" with the rules within Order 2 rule 1(1), or whether it was something altogether more fundamental, as Mr Justice Phillips held.

Mr Tomlinson for the defendants argued that if there was a fundamental defect in service of a particular defendant, the proceedings against that defendant had never been joined. Accordingly, there were no "proceedings" for the purpose of Order 2 rule 1.

That was rejected. It ignored the opening words "... purporting to begin" proceedings. There was no doubt that the plaintiffs did at least purport to begin proceedings against all 46 defendants. They did in fact begin proceedings. There was no defect in the issuing of the writ. The defect lay in its service. The proceedings as such were valid.

Failure to serve the 10th defendant with anythingexcept an acknowledgement of service was an omission so serious that it could not be cured under Order 2 rule 1. It could not be described as "a failure to comply with the requirements of the rules by reason of something left undone". It was more accurately described as doing nothing.

In the case of the other defendants service was grossly defective, but it was purported service. Mr Justice Phillips was wrong to hold that he had no discretion under the rule. Since he never exercised a discretion the task fell on the present court. It was not an appropriate case in which to exercise a discretion in favour of the plaintiffs.

First, the defect in service was very serious.

Second, the plaintiffs' conduct excited little sympathy. They left it until the last moment of the second renewal of the writ before seeking to effect service. If they had served a little sooner they could have re-served without difficulty.

Third, and most important, was Order 11. The American defendants did not come to London to seek out business. They were sought out in America. Their contracts were governed by US law which was at variance with English law in this field. They could not have been brought before the court except as necessary or proper parties in proceedings brought against other defendants.

In those circumstances they were at least entitled to expect that the requirements as to service would be scrupulously observed.

LORD JUSTICE McCOWAN in a majority judgment said the risk was placed with the defendants through Curry. All were parties to the contract, all knew of the accident, and all got a copy of the writ. None was in the dark about the proceedings and they all took the same action, namely to put the matter in the hands of their London solicitors who took in each case the same point on service.

Their position fell squarely within Lord Justice Kerr's words in *Singh v Atombrook [1989] 1 WLR 810,820* – "there was never the slightest doubt in the mind of the defendant that the plaintiff intended to sue it and that it was the person which with whom this case was concerned".

Second, the plaintiffs' conduct excited little sympathy. *They left it until the last moment before seeking to effect service. If they had served a little sooner they could have re-served without difficulty*

In the case of the 10th defendant no writ was served at all, but only a form of acknowledgement of service which gave the title of the proceedings and listed him among the defendants sued.

That was plainly an attempt to take a step in the proceedings, namely to serve the writ. But it failed to comply with a requirement of those rules as to what should be served. By virtue of Order 2 rule 1 that failure was to be treated as an irregularity and did not nullify service.

It might well be that in many cases where only acknowledgement of service was served it would be held in exercise of the court's discretion that service must be set aside. In this case however, the 10th defendant reacted in no way differently from the other six defendants. The risk having been placed with them likewise by Curry, there was the same co-operation and his solicitors were taking the same point on service.

There was no evidence before the court that he was ever in doubt that the plaintiffs intended to sue him or as to the nature of the proceedings, or that he suffered prejudice by the irregularity.

Therefore in the special circumstances of the case, the court should likewise in the case of the 10th defendant exercise its discretion against setting service aside.

SIR JOHN MEGAW agreeing, said Mr Justice Phillips did not exercise his discretion because, as he understood the law, he did not have a discretion to exercise. The defects in the service, in his opinion, made the process a nullity incapable of cure.

On the facts and on the true construction of the rule, Order 2 rule 1 was applicable. There was no automatic nullity of proceedings. It was for the judge to apply his discretion.

The rule did not prevent the court from deciding that justice required that defective proceedings should be set aside. There was nothing in the circumstances of the present case which took the procedural failures outside the purview of Order 2 rule 1.

His Lordship agreed with Lord Justice McCowan's reasons as to the proper exercise of the discretion.

The appeal was allowed.

For the plaintiffs: Jeffrey Gruder (Ince & Co)

For the defendants: Stephen Tomlinson QC and Simon Rainey (Hill Taylor Dickinson)

Rachel Davies
barrister

COMMODITIES AND AGRICULTURE

Opec statements fail to support weak oil prices

By Steven Butler

OIL PRICES failed to recover yesterday from Monday's steep losses despite a flurry of statements from members of the Organisation of Petroleum Exporting Countries indicating concern over the disastrously weak state of the market.

Prices opened higher on the International Petroleum Exchange, but fell when an early rally on the New York Mercantile Exchange ran out of steam and reversed itself.

Brent Crude oil for August delivery closed off 25 cents at $15.775. On the Nymex August futures for West Texas Intermediate Crude were fluctuating around $17 a barrel midday trading, little changed from the day before. The July contract, volatile ahead of today's expiry, was down 24 cents at $15.70.

Mr Sadek Boussena, the Algerian minister who serves as Opec president, said he would be touring the Middle East this week to visit the big Gulf producers: Saudi Arabia, Iran, Iraq, Kuwait, and the United Arab Emirates. He would be holding talks aimed at measures to strengthen oil prices.

The failure of the announcement to have any significant impact on prices is a further indication of Opec's complete loss of credibility. A round of consultations among senior Opec ministers is typically a signal for traders to take caution in holding short positions.

However Saudi Arabia appears to be the only country so far which has fully implemented production cuts promised at an Opec emergency meeting in early May. Opec is continuing at a high level of crude oil production when oil storage facilities around the world are nearly full.

Mr Issam Al-Chalabi, the Iraqi minister, yesterday accused other Opec members of a "premeditated" intention to violate the agreement. He implied that some of his Arab neighbors were intentionally driving down the price following the strong market in early January.

King Fahd of Saudi Arabia also called on Opec members to abide by their commitments.

Sharp fall in orange juice prices continues

By Barbara Durr in Chicago

ORANGE JUICE futures prices continued their plunge yesterday in New York. Tuesday was the third day of limit down trading in all contracts beyond the about-to-expire July futures.

The dramatic drop in juice futures began last Friday following a rumour that Brazilian processors would cut their prices. That rumour, based on a report that Brazil had sold some concentrate in Europe at a discount, has been denied but to no visible effect in the market.

While the market was reacting to the recent rumour, production and yields seem well above demand at current prices. Brazil's crop is huge, estimated at 300m boxes, and the Florida crop estimate by the US Department of Agriculture has risen since December by 17.5m boxes.

The USDA had dropped its original early December estimate of the Florida crop from 133m boxes to just 94m boxes after the Christmas freeze. But since then it has revised the estimate up to 111.5m boxes.

Such is the supply that technical analysts at the Cotton Exchange calculated that the September contract might not find support of prices until 150 cents a lb or lower. This compares to the open last Friday of 186.5 cents a lb.

Growers hoping for strawberry fields forever

Bridget Bloom visits a co-operative at the heart of a revolution in fruit production

THE GIRL emptied the last grains of perlite on to the strawberry plants and saved the transparent lid of the container. "That's the only place you can see them," said Mick Beech, senior soft fruit technologist, pointing out the tiny red insects, phytoseiulus persimilis. Scattered over the acres of strawberries, it was now their job to eat the red spider mite, one of the main pests of the ripening summer fruit.

Peter Vinson, one of Kent's premier strawberry growers, has been using such biological controls for three years, drastically cutting back on his use of chemical pesticides. It is one of several new developments to improve his efficiency and make his product more acceptable to the consumer.

"What has been happening recently amounts to a revolution in English strawberry growing," claims Nicholas Saphir, chief executive of Hunter Saphir, which provides the technology, management and marketing for the co-operative to which Mr Vincent belongs.

The essence of the revolution is that the growing season for outdoor English strawberries has increased. Peter Vinson notes that the fruit used to be grown and harvested over six weeks, depending on the weather, with annual feasting of the strawberries at the Wimbledon tennis tournament signalling the height of the season.

Now, however, new varieties, clever storing, planting and growing techniques and even the judicious use of different coloured polythenes have lengthened the season to nearly half a year. This year, admittedly after a very early spring, Vinson began picking on May 5. Frosts permitting, he may go on well into October.

Mr Vinson says that until the mid-1970s strawberries were being grown, harvested and marketed much as they were in his great-grandfather's time. From independent farms, the fruit went to wholesalers, and markets and so to the customer. It was the twin pressures of the growth of the supermarkets and the gradual demise of the traditional wholesaler which prompted the new development.

Today, Mr Vinson is one of 18 grower-members of KentFruit, a "second-tier" co-operative, part of the larger KentVeg, itself one of a small number of British horticultural co-operatives which have been able to overcome farmers' traditional distrust of such organisations, and at the same time increase their competitiveness in the harsh world dominated by the supermarkets.

Marketing management and technology back-up is provided to both co-ops by Hunter Saphir, the UK produce group which also operates similar partnerships in places like Zimbabwe (where it is helping grow runner beans during the English winter) and Thailand.

The other element in the strawberry revolution has been provided by the supermarkets, KentFruit's main customers. Their main interest has been to have consistent supplies of high-quality fruit over as long a season as possible.

KentFruit reckons it produces about 8 per cent of the total 46,000 tonnes of strawberries produced in Britain each year although, since a high proportion of the total crop goes for freezing, they have a larger percentage of the high-quality market in fresh fruit.

Mick Beech, the chief technologist, says the revolution has been achieved by a number of improved techniques, rather than by one dramatic breakthrough. First have been the new varieties which have meant not only firmer, redder and good-flavoured fruit, but plants which will produce over a longer growing period. Elsanta, developed in the Netherlands, is now the mainstay of the group's early production; Pandora, the first new British variety for 20 years, comes next, assuring the "critical gap" from mid-July to mid-August before the so-called ever-bearing varieties begin to produce.

Important though the new varieties are, each must be coaxed into sustained, carefully-timed production by a variety of techniques, ranging from putting summer-sown plants into cold storage to bring them on earlier or later the following spring, to de-flowering plants to improve crop quality and bring cropping forward. Black polythene is used to encourage growth, white polythene or thick straw to retard it. Programmed planting ensures sequential cropping. Plants are "fertigated" – fertilised and irrigated through the same underground trickle system.

Finally, recently-introduced biological pest control methods include not only the spider mite eater but the experimental use of a tractor-mounted vacuum cleaner which removes vine weevils at night when they do most damage.

Strawberry-growing today is "high-tech, high investment and high risk," says Nicholas Saphir. Peter Vinson reckons his direct growing costs, excluding overheads, are £3,000 an acre. While he hopes to average six tonnes an acre and a return of £15,000 before costs, in a bad year, margins can be uncomfortably squeezed.

Martin Dredge, chairman of KentFruit, reckons growers are actually getting a smaller share of what a consumer pays for a pound of fruit in the supermarket. In KentFruit, each farm operates its own packing plant and organises its own labour force. On Peter Vinson's 800-acre farms, which also produce apples, pears and plums, there is a permanent workforce of 40, a summer workforce of 200 and during the harvest an extra 700 workers are hired.

In addition, within the co-operative, growers pay for increasingly sophisticated packing, transport and distribution to the supermarkets.

Like all farmers who supply the big retailers, KentFruit members have mixed feelings about the relationship. "It's not an equal debate because the multiples are so extremely powerful," says one, "though with some we have quite reasonable relations."

"At the end of the day, however high-tech we get, we're still farmers depending on the weather and very volatile prices," says Mr Vinson. This year's early spring meant that English strawberries clashed with those from Spain, while English consumers, used to the full glory of the English crop only in mid-June, have been slow to buy the fruits that have been available for some weeks now.

In the Kent strawberry fields, everyone hopes for hot weather and a strawberry-rich Wimbledon.

Wimbledon is the height of the strawberry-eating season

Polish meat traders undercut home price

By Christopher Bobinski in Warsaw

POLISH meat importers have taken advantage of the forthcoming monetary union between East and West Germany and purchased at least 14,500 tonnes of pork at less than a third of the current domestic price paid to farmers of around 8,000 zlotys ($0.80) per kilo.

The flurry of imports over the past few weeks, which amount to around 15 per cent of the amount of pig meat the state buys every month from farmers, has been so cheap because it was paid for with transferable roubles, according to officials at the Ministry of Agriculture.

The East Germans exporters on their part have been exchanging the roubles for East German Marks and will have their profit on July 1 when these will be replaced by transferable D-Marks.

The transactions also represent a major profit for Polish importers like Animex, a traditional meat foreign trader who made the bulk of the purchases. The imported meat is being sold to meat factories at a little under the domestic price.

The imports have, however, caused protests wherever meat factories have attempted to cut purchases from local farmers in favour of the East German meat.

Bright future for nickel predicted

By Kenneth Gooding, Mining Correspondent

NICKEL FACES a bright future even though consumption this year is likely to fall by 1.5 per cent to 640,000 tonnes, the second successive year of decline, Mr Jim Lennon, analyst with the Commodities Research Unit, said.

He told a conference organised by Metal Bulletin that nickel consumption might grow at between 2.5 and 3.5 per cent a year in the 1990s.

But there would not be a shortage of supply. The CRU has identified 95,000 tonnes of certain and probable new supplies to be added to the 667,000 tonnes produced in 1989, including 95,000 tonnes of exports from the eastern bloc.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium high grade	+3,125	to 181,200
Copper	−2,575	to 63,750
Lead	+2,800	to 42,950
Nickel	−270	to 8,442
Zinc	+225	to 30,200
Tin	+370	to 12,130

Rise in Mexican coffee exports

MEXICAN coffee exports rose sharply during the second half of 1989, letting the world's fourth-largest producer capture more of the US market, the government newspaper El Nacional said, Reuter reports from Mexico City.

Total imports during the July-December period grew 231 per cent and Mexico increased export income from the commodity by 113 per cent, despite depressed international coffee prices.

Mexico boosted exports after producers participating in the International Coffee Agreement abandoned the coffee export quota system in July 1989.

Mexican exports captured 22 per cent of the US coffee market in late 1989, up from 13 per cent. Brazil and Colombia exporters lost market position.

Japan insists its rice market must stay closed

By Robert Thomson in Tokyo

JAPAN'S agriculture ministry has written to Mr Clayton Yeutter, the American agriculture secretary, recognising the importance of the present round of multilateral trade negotiations, but insisting that the country's rice market must remain closed.

The letter is a reply to Mr Yeutter, who last month wrote to Mr Tomio Yamamoto, the Agriculture, Forestry and Fisheries Minister, expressing his "deep distress" at criticism of America's attempts to open the rice market, which has become a central issue in negotiations on agricultural trade.

Japanese officials had initially decided to ignore the emotional letter from Mr Yeutter, fearing that a reply could increase bilateral trade tension, but Mr Yamamoto said yesterday that the reply was delayed because "we were very, very careful" with the wording.

The letter, posted late yesterday, suggests that an opening of the rice market could "result in a collapse of domestic agriculture", and that Japan has already been "severely damaged" by the liberalisation of the beef and citrus markets.

Mr Yamamoto also argues that rice deserves "special consideration" in the present Uruguay Round of multilateral trade negotiations, which he conceded are necessary for the maintenance of free trade.

The rice debate has become heated in the past week, with the second largest opposition party, Komeito, and Mr Noboru Takeshita, a former prime minister and senior member of the ruling Liberal Democratic Party, indicating that a concession on opening the market is inevitable.

Suralco halts payments to government

By Canute James in Kingston

THE Suriname Aluminium Company, a subsidiary of the Aluminium Company of America, has suspended foreign exchange payments to the Suriname government.

The company has asked the government to arrange for the removal of roadblocks which have isolated the main bauxite mining town of Moengo.

Suralco said also that it would resume foreign exchange payments after the army removes obstacles which have prevented boats from carrying bauxite from the mining town, following the occupation of Moengo at the end of last month by a group of anti-government rebels. The rebels have since withdrawn, but the army has disobeyed the government's instructions to open access to the town.

Suralco said the company had enough stockpiled ore to continue feeding the 1.4 million tonnes per year refinery and that the situation in Moengo would also not immediately affect the country's aluminium smelter.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,710 (1,650-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.50-3.10 (2.80-3.30).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.90-3.20 (3.20-3.60).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.00-8.30 (7.90-8.30).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 215-235 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.97-3.05 (2.90-2.95).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.15-5.75 (5.30-5.80).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 40-56 (40-57).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.80-3.10 (2.90-3.20).

URANIUM: Nuexco exchange value, $ per lb, UO, 8.65 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices eased on the LME yesterday in spite of a decline of 2,575 tonnes in warehouse stocks to a five-week low of 63,750 tonnes. The lack of substance in Monday's reports of a strike at the Ok Tedi mine in Papua New Guinea was not countered by news of a strike vote at Asarco's Ray mine. Chart resistance around the $2,505 to $2,510 a tonne area proved too great and most players were looking to take profits. Nickel prices also declined despite a 270 tonne fall in warehouse stocks. Trading was sparse, and last week's merchant and consumer offtake, which lifted prices sharply, was not followed up. On the BFE freight futures fell sharply after the Baltic Freight Index fell to 1,181 – the lowest level since July 1988. Prices initially firmed on profit taking purchases, but the rise was short lived. "If it goes up, it gets walloped down again – people are looking to sell into rallies," said one dealer. Gold eased again on the London bullion market. Dealers said turnover and interest for gold remained minimal, but underlying support at $346 an ounce had stood up well. However, one dealer said gold's tone remains bearish, with some investors expecting further selling.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$13.60-3.70w	-0.20
Brent Blend	$15.75-5.80w	-0.25
W.T.I. (1 pm est)	$17.07-7.09w	-.185
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$219-221	[illegible]
Gas Oil	$142-144	-2.5
Heavy Fuel Oil	$61-63	
Naphtha	$135-136	-1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$347.75	-1.50
Silver (per troy oz)♣	484c	-1
Platinum (per troy oz)	$478.15	+1.90
Palladium (per troy oz)	$115.00	+0.25
Aluminium (free market)	$1565	-10
Copper (US Producer)	118½c	+2¼
Lead (US Producer)	45c	
Nickel (free market)	385c	-5
Tin (Kuala Lumpur market)	16.49r	+0.14
Tin (New York)	288c	
Zinc (US Prime Western)	67½c	
Cattle (live weight)†	106.83p	
Sheep (dead weight)†	159.85p	
Pigs (live weight)†	109.39p	
London daily sugar (raw)	$310.5t	-1.5
London daily sugar (white)	$390.0t	-1.0
Tate and Lyle export price	£294.0	-1.0
Barley (English feed)	£114.5w	
Maize (US No. 3 yellow)	£145	
Wheat (US Dark Northern)	£124.5	
Rubber (Jul)♥	54.00p	-0.25
Rubber (Aug)♥	54.50p	-0.25
Rubber (KL RSS No 1 Jul)	229m	-1
Coconut oil (Philippines)§	$330t	
Palm Oil (Malaysian)§	$270q	-2.5
Copra (Philippines)§	$217.5q	
Soyabeans (US)	£158	+2
Cotton "A" index	69.95c	+0.20
Wooltops (64s Super)	485p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Aug	287.40	281.00	289.00 280.20
Oct	282.40	277.20	282.60 276.20
Dec	283.00	282.00	280.00 275.00
Mar	[illegible]	263.60	268.60 263.40
May	269.00	263.80	268.00 263.20
Aug	[illegible]	263.60	267.00 263.00
Oct	265.00		263.00 261.00
White	Close	Previous	High/Low
Aug	380.0	381.5	382.0 379.0
Oct	[illegible]	357.5	361.0 357.5
Dec	352.5	350.5	353.0 349.0
Mar	349.0	346.5	349.0 344.5
Oct	[illegible]	331.0	333.0 332.0

Turnover: Raw 1440 (2414)lots of 50 tonnes. White 1576 (1820)
Paris- White (FFr per tonne): Aug 2135, Oct 2016 Dec 1990, Mar 1975, May 1980

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Aug	15.63	15.87	15.82 15.60
Sep	16.20	16.27	16.40 16.08
Oct	16.55	16.65	16.60 16.46
Nov	16.80		17.00 16.75
IPE Index	16.01	16.27	

Turnover: 12146 (7269)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Jul	142.00	[illegible]	143.00 141.25
Aug	143.75	143.75	144.00 142.50
Sep	145.75	147.00	146.50 145.25
Oct	149.50	149.75	149.75 148.25
Nov	151.75	151.75	[illegible]
Dec	153.50	153.75	153.75 152.25
Jan	[illegible]	154.00	153.75 152.00
Feb	147.50		151.25 147.50
Mar	144.00		149.00 144.00

Turnover 7134 (5779)lots of 100 tonnes

JUTE
June/July c and f Dundee BTC $540, BWC $540, BTD $520, BWD $520; c and f Antwerp BTC $520, BWC $515, BTD $500, BWD $495.

COTTON
Spot and shipment sales for the week commencing June 11 amounted to 172 tonnes against 378 tonnes in the previous week. Slow trading persisted with dealings mainly in Middle Eastern, south American and African varieties.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Jul	775	782	785 769
Sep	797	804	810 791
Dec	825	826	833 822
Mar	847	849	855 843
May	865	870	872 862
Jul	884	889	[illegible]
Sep	904	907	905

Turnover: 3273 (3691) lots of 10 tonnes
ICCO Indicator prices (SDRs per tonne). Daily price for Jun 18 1007.71 (1003.02) 10 day average for Jun 19 1010.69 (1013.38)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Jul	595	597	600 592
Sep	621	616	622 613
Nov	642	634	[illegible]
Jan	661	650	661 650
Mar	678	665	670 666
May	705	681	685
Jul	712	700	702

turnover: 3677 (2852) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for June 18: Comp. daily 70.12 (69.50). 15 day average 71.60 (72.22)

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Nov	90.0	92.5	93.0 89.0
Apr	126.0	128.5	131.0 128.0
May	140.9	140.9	140.0 138.5

Turnover 185 (510) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Oct	115.00	115.50	116.00 115.00

Turnover 35 (40) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
Jun	1125	1135	1130 1125
Jul	995	1009	1015 990
Oct	1065	1080	1080 1060
Jan	1073	1107	1119 1075
BFI	1181	1197	

Turnover 394 (408)

GRAINS – BFE			£/tonne
Wheat	Close	Previous	High/Low
Jun	120.60	119.90	120.00 119.75
Sep	113.10	113.20	113.15 113.00
Nov	117.15	117.20	117.20 117.15
Jan	120.85	120.75	120.85 120.70
Mar	124.30	124.50	124.30
Barley	Close	Previous	High/Low
Sep	111.50	111.80	111.50
Nov	115.70	115.85	115.60 115.50
Mar	121.75	122.10	121.75
May	123.10		

Turnover: Wheat 280 (110), Barley 39 (3). Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Aug	124.0	124.0	124.4 123.7
Oct	123.5	126.0	123.5 123.0

Turnover 84 (10) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 14,225 lots	
Cash	1555-7	1576-8		1567-8		
3 months	1575-80	1595-6	1594/1576	[illegible]	1576-6	44,890 lots
Copper, Grade A (£ per tonne)					Total daily turnover 16,893 lots	
Cash	1500-1	1522-4	1525	1524-5		
3 months	1475-6	1498-3	1494/1472	[illegible]	[illegible]	[illegible]
Lead (£ per tonne)					Total daily turnover [illegible] lots	
Cash	489-90	490.5-1.0	492	[illegible]		
3 months	485-5.5	488-9	488/482	[illegible]	[illegible]	[illegible]
Nickel ($ per tonne)					Total daily turnover [illegible] lots	
Cash	8475-500	8650-700	8525	[illegible]		
3 months	8490-500	8600-25	8525/8460	[illegible]	[illegible]	[illegible]
Tin ($ per tonne)					Total daily turnover [illegible] lots	
Cash	6200-10	6185-95	6180/6170	[illegible]		
3 months	6321-5	6305-10	6330/6280	[illegible]	[illegible]	[illegible]
Zinc, Special High Grade ($ per tonne)					Total daily turnover [illegible] lots	
Cash	1700-5	1704-5	1697	[illegible]		
3 months	1644-5	1648-4	1641/1633	[illegible]	[illegible]	[illegible]

LME Closing £/$ rate: SPOT: 1.7230 3 months: 1.6931 6 months: [illegible] 9 months: [illegible]

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	347½-348	202-202½
Opening	348¼-348¾	203½-204
Morning fix	348.45	203.510
Afternoon fix	348.85	203.472
Day's high	348¾-349½	
Day's low	347½-348	
Coins	$ price	£ equivalent
Mapleleaf	355-360	205½-209
Britannia	355-360	205½-209
US Eagle	355-360	205½-209
Angel	355-360	205½-209
Krugerrand	347-350	201½-203½
New Sov.	82-84	47½-49
Old Sov.	82-84	47½-49
Noble Plat	483.85-491.55	282.55-287.05
Silver fix	p/fine oz	US cts equiv
Spot	282.65	483.85
3 months	283.10	493.85
6 months	303.63	503.90
12 months	324.80	528.05

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1500	71	96	2	18
1600	10	40	40	59
1700	1	12	[illegible]	129
Copper (Grade A)	Calls		Puts	
2450	133	108	2	53
2550	62	65	22	104
2650	11	25	[illegible]	172
Coffee	Jul	Sep	Jul	Sep
550	47	61		11
600	5	48	8	28
650		27	65	57
Cocoa	Jul	Sep	Jul	Sep
700	73			
750	23	67		22
800		40	27	45
Brent Crude	Aug	Sep	Aug	Sep
1550			38	
1600	26		65	57
1650	17	45	105	

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Jul	15.75	15.94	16.20	15.50
Aug	16.96	16.95	17.24	16.70
Sep	17.65	17.63	17.91	17.43
Oct	18.10	18.10	18.35	17.95
Dec	18.78	18.70	18.92	18.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun 19	Jun 18	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec 31 1974 = 100)

	Jun 18	Jun 15	mnth ago	yr ago
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	593/2	598/0	597/0	589/4
Aug	599/4	602/2	603/4	595/4
Sep	603/2	605/2	607/0	599/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

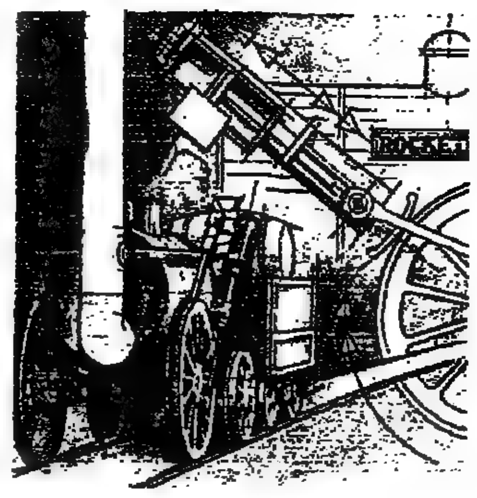
LIVE HOGS 30,000 lb; cents/lbs

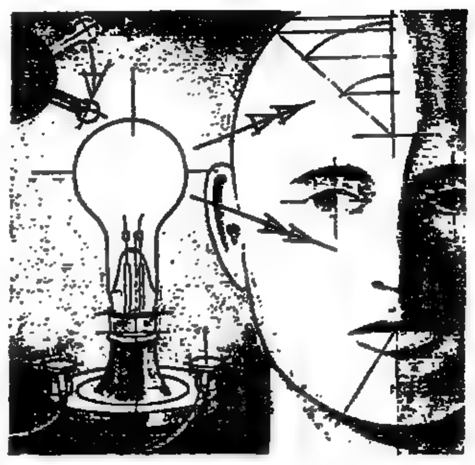
	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

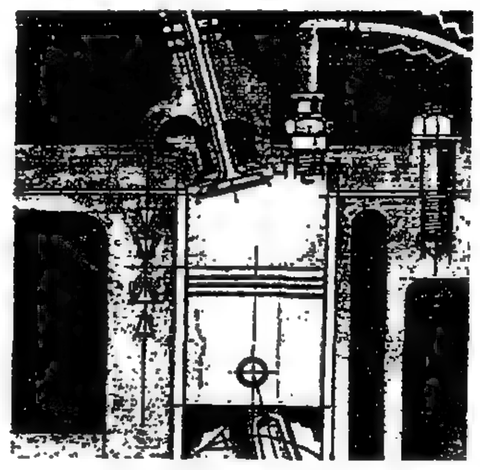
PORK BELLIES 40,000 lbs; cents/lb

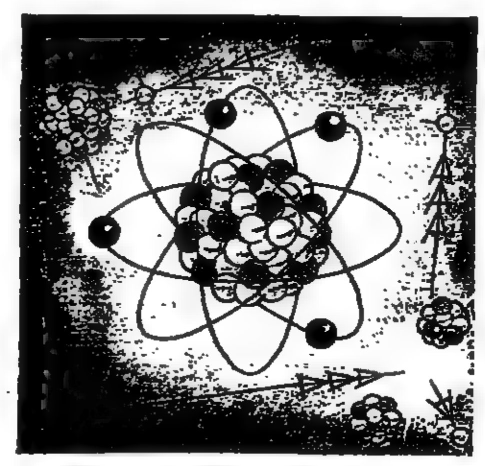
	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MORE POWER TO YOUR MBO


1825: THE POWER OF STEAM.


1878: ELECTRICAL POWER.


1886: THE POWER OF INTERNAL COMBUSTION.


1940'S: ATOMIC POWER.

INTRODUCING A NEW SOURCE OF POWER.

CWB Capital Partners is a new name, and a new force in management buy-outs in Europe: yet our team can point to a proven record of success, and a remarkable combination of powers.

How so?

The reason is that CWB Capital Partners is a new name for a new combination: the experience of the Specialist Financing Division of Standard Chartered Bank, and the very substantial resources of Westdeutsche Landesbank.

A combination which strengthens still further the capabilities of a team which has already established an impressive track record.

A record of leading the financing for some of Europe's biggest buy-outs: BPCC, London Clubs International, Rentco, Bricom. Of pioneering new ideas – like, for example, the increasingly central role of mezzanine.

And of offering practical, powerful and committed support to ensure the deal closes.

Now, the amount of funds we can provide and our European coverage are greater than ever – and so is our commitment to achieving success for our clients.

So if you're considering a buy-out – however big or ambitious – call CWB Capital Partners on (071) 280 7541. And discover a new source of power.

CWB Capital Partners
38 BISHOPSGATE, LONDON EC2N 4DE.

CWB CAPITAL PARTNERS LIMITED IS A JOINT VENTURE COMPANY OF STANDARD CHARTERED BANK AND WESTDEUTSCHE LANDESBANK, AND A MEMBER OF IMRO.

LONDON STOCK EXCHANGE

Equities shake off initial weakness

A STEADIER performance by the pound and UK Government bonds helped equities brush off the effects of more bearish factors yesterday. In early trading, shares were down sharply on the back of the heavy setback on Wall Street overnight and also on the announcement of a £600m cut in UK defence spending this year.

Sentiment was jolted across the broad range of the market by the 53.71 fall in the Dow Industrial Average. But selling pressure remained very light and the market had recovered almost the whole of its early fall by the close.

The day started badly, with losses in defence stocks headed by British Aerospace, which was directly hurt by the UK Defence Ministry's cancellation of orders for 33 Tornado aircraft. Within half-an-hour, the FT-SE Index lost 21.6 to 2,348.9.

Selling was modest in the London market, however, and the opening of the Footsie futures market at 8.30am worked in favour of the underlying equities. With the premium on the June future holding up well, and Salomon Brothers believed to be operating a small (£35m) buy programme, the stock market began to recover.

There was never any great strength in the rally, but when Wall Street made a brave start to the new session, the Footsie Index edged higher. However, impetus soon faded when the Dow began to falter and the UK market had little to show for itself in late dealings.

The final reading put the FT-SE Index at 2,369.7, just 0.8 off on the day. Traders reported an essentially uninspiring trading day, with Seaq volume at 408.3, barely changed from the previous session.

Marketmakers were quite happy to see share prices open lower and tried to pick up stock in case the market moved away from them again. The big investment institutions did little selling but were in no hurry to buy stock either.

Once again, a significant indication of underlying support came from a successful share placing in the construction sector, which was so unpopular earlier in the year. Yesterday's construction sector deal was in Y.J. Lovell, with 8.4m shares placed within minutes with three UK institutions after a leading pension fund unloaded the stock at a 4.8 per cent discount to the market price. The Lovell deal brings to nearly £70m the value of construction sector shares taken up readily by the institutions within two days.

Market strategists sounded relatively untroubled by yesterday's market performance. With the optimism surrounding prospects for early entry into the EMS exchange rate mechanism now slightly dented, London has reverted to its policy of keeping a close eye on Wall Street for its near-term direction.

Account Dealing Dates		
*First Dealings:		
Jun 11	Jun 25	Jul 9
Option Declarations:		
Jun 21	Jul 5	Jul 19
Last Dealings:		
Jun 22	Jul 6	Jul 20
Account Day:		
Jul 2	Jul 16	Jul 30

*New-time dealings may take place from 8.30 am two business days earlier.

Midland merger hopes

TAKEOVER speculation was rekindled in Midland Bank after the UK clearer said it had reduced the status of its Hong Kong branch operations to that of a "representative office" as part of the co-operation agreement between Midland and Hongkong and Shanghai Banking (HK and S), enabling each to concentrate on areas of greatest strength.

The move, dealers said, revived hopes that a full merger between Midland and HK and S would eventually take place. "This is seen as a big step forward to an eventual merger," said one analyst.

The Midland share price has fallen back recently, partly because of some substantial profits downgrades by analysts, but also because of worries that HK and S may not have been so keen on a full merger with Midland. HK and S has a 14.9 per cent stake in Midland but is prevented by a standstill agreement which runs to the end of this year from increasing its holding.

Midland shares, recouping some of the ground lost recently, closed 3 firmer at 300p, albeit in a thin turnover of 1.2m shares.

Whitbread weak

Whitbread continued its recent weak form as Smith New Court reiterated its sell recommendation. Analysts at Smith said that on further examination of last week's European Commission report on the brewing industry, there was a significant chance that Whitbread's exclusive licence to brew and distribute Heineken could be against EC competition rules. Other analysts have come to the same conclusion. Whitbread has a similar arrangement with Artois Piedboeuf Interbrew, Belgium's biggest brewer, for Stella Artois.

Smith analysts said that about 20 per cent of Whitbread's profits came from the Heineken/Stella operation. They expect a further Commission announcement within six months.

Whitbread "A" eased 4 to 438p on good turnover for the stock of 1.8m shares. More bearish predictions on crude oil prices and news that Opec president Sadek Boussena is making a whirlwind tour of Iran, Iraq, Kuwait, the United Arab Emirates and Saudi Arabia this week in an effort to stabilise oil prices kept the latter and the oil and gas sector in a highly nervous state.

August Brent stayed below the $16 a barrel level, closing at $15.90, with Mr Philip Morgan at broking firm Laing & Cruikshank saying that a $12 a barrel oil price was "looking likely." Talk in the market suggested that UBS Phillips & Drew was about to lower its oil price forecasts for the second half of the year, but Mr Geoff Pyne of UBS said the UBS team had already said crude prices may fall to the $14 mark. Other oil analysts said that the sterling/dollar exchange rate remains the key to the sector. "With the pound at $1.72 the oil companies' take is 25 per cent down on the first quarter," noted one specialist.

In the leaders, British Gas, helped by the Hoare Govett seminar and a positive note from that broker, edged ahead to 219p. BP, where turnover of 7.5m was said to have included a substantial proportion of inter-marketmaker business, were 2 firmer at 325p. Shell performed well and closed 7 higher at 461p on keen turnover of 4.3m.

Enterprise Oil stabilised to end the session a net 3 firmer at 649p, with specialists now convinced that ICI has decided to hold on to its near 25 per cent stake in the UK oil company for the foreseeable future.

Hard on the heels of the near £50m placing of ECC's 29 per cent stake in Bryant Group, the housebuilder, came another successful and substantial placing of stock, this time in Y.J. Lovell, the construction company.

Dealers said a line of some 8m Lovell shares, representing a 14 per cent stake in the company, was placed with institutions at 218p a share. The Merchant Navy Officers Pension Fund was said to have been the seller of the stock.

Y.J. Lovell shares slipped to 225p after the stake changed hands, before steadying and closing a net 2 easier at 227p.

Defence stocks suffered widespread losses as the cuts in UK defence spending heightened fears of further cost-saving moves by the Ministry of Defence.

In addition to the Footsie stocks (*See chart*), falls were marked against Dowty (8 lower at 226p), Smiths Industries (15 down at 251p), and VSEL Consortium (5 easier at 383p). Vickers slipped 3 to 233p, although concern about the Challenger tank contract was countered by a securities house upgrading. Mr David Blackwood of Hoare Govett believes the group has experienced a "very strong first half," which caused him to raise his full year profits forecast from £91m to £96.2m.

Westland was one of the few defence-related stocks to resist the downturn, rising 6 to 113p as hopes flourished of orders for its E H101 helicopter.

There was plenty of activity in the banking areas of the market as banking analysts said that after recent big downgrades institutions tended to overlook the potential of annual dividend growth expected to average 15 per cent in the clearing banks.

A big line of stock in TSB, believed to have been in the region of 2.5m shares, was said to have been absorbed as the share price slipped to close 1½ easier at 139p on turnover of 4m. Barclays were heavily traded although turnover of 5.3m included a misreported block of 2.5m shares. Sold down to 385p early on, the shares subsequently rallied to end the day a net 3 harder at 390p in the wake of what dealers said was big support for the stock.

Hambros held at 283p in front of preliminary figures expected today. Shearson Lehman Hutton is looking for pretax profits in the region of £70m, the same as last year. Japanese bank Mitsui Taiyo Kobe confirmed yesterday it holds a 4.77 per cent stake in Hambros.

Composite insurers moved ahead in response to vague hints in the market of a potential Continental-sourced takeover bid in the sector. Royal Insurance, which moved against the trend on Monday and improved 3 to 508p yesterday, was said to be the bid favourite.

Building stocks were no worse than the wider market and sometimes made good progress despite hints that a number of downgrades could well be in the pipeline. Barratt Developments was one stock where a downgrade was said to be imminent. Dealers said that there was a story that a cut in the dividend was possible. Barratt shares managed a minor gain at 175p.

Sketchley continued to weaken in the wake of Monday's announcement of losses and a rights issue. The shares closed 12 lower at 171p, making a two-day fall of 33p.

STC came under substantial selling pressure, closing 11 down at 258p on big turnover of 6.7m amid stories that a profits warning, followed by profits downgrades, could be imminent.

A lunchtime meeting between Polly Peck and BZW led to analysts there reinforcing their buy recommendation on the stock. Polly Peck climbed 9 in the afternoon session to 432p.

Armitage Brothers, which makes pet food products, recovered 10 to 120p, just 7 below the level at which it made a profits warning on Friday.

Press speculation on a possible bid for Reedpack, the paper and packaging company bought by its management from Reed International in July 1988, helped Wiggins Teape Appleton, a rival demerged from BAT Industries last month. Wiggins rose quickly in late trading to 211p, 5 higher on the day.

A profits warning from design company Fitch-RS left the shares 43 lower at 105p. Mr Rodney Fitch, the chairman, said this year's profits would "show a major reduction" on last year. UK trading conditions continued to deteriorate, affecting in particular property clients who had reduced their expenditure on design services.

A press article on challenges facing advertising agency WPP trimmed the shares 6 to 580p.

Further buy recommendations, prompted by Monday's preliminary statement, ensured further good activity in shares of BET. Traders noted demand from income funds which left the shares 7 higher on the session at 259p after turnover of 3.4m.

Shanks & McEwan benefited from increased annual profits, rising 53 to 1403p, while more than doubled full year earnings took Continuous Stationery up 7 to 60p. On a less cheerful note, Alan Cooper tumbled 30 more to 120p, still influenced by the board's caution over prospects for current trading.

Monday's amendment to the Broadcasting Bill, which makes a moratorium on takeover bids likely, continued to take its toll of some TV contractors. Granada slipped 3 to 246p and Thames TV shed 7 to 488p. "The market is taking a long time to digest the news," said one trader.

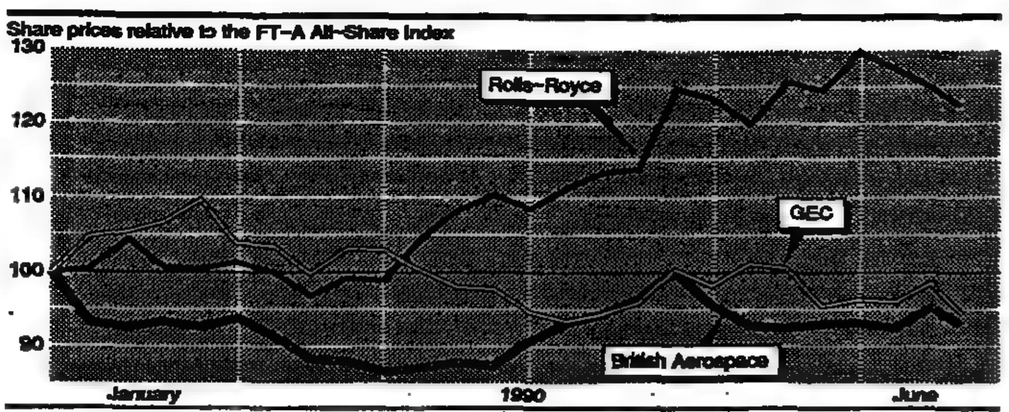
Leather company Pittard Garnar continued to retreat from last week's peaks, achieved on the back of speculation that rival Strong & Fisher might bid. Pittard lost 4 to 115p, while Strong closed unchanged at 28p.

Speculation of a takeover bid continued to sharply boost Speyhawk, which over the weekend confirmed being in negotiations but did not name the other party involved. The market sensed that Nordstjernan, the Swedish property and construction group, was involved, since the group recently bought a 5 per cent stake in Speyhawk. The latter's shares soared to 245p yesterday before closing 38 higher on balance at 233p for a two-day rise of 94.

Other property-related stocks were less fortunate, with Priest Marians, awaiting bid developments, falling 8 further to 195p, and Hardanger losing 20 to 525p. Connell, the estate agents, was also out of favour and gave up 7 to a 1990 low of 121p.

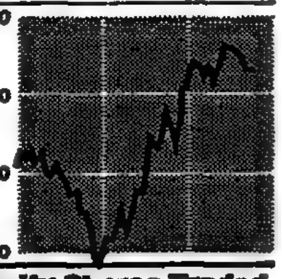
■ Other Market statistics, including the FT-Actuaries share index, Page 25

Share prices relative to the FT-A All-Share Index



The implications of the £600m cut in UK defence budgets this year, including cancellation of 33 Tornado aircraft orders, brought a swift reaction in the shares of the FT-SE 100 companies involved. British Aerospace, which supplies about 18 per cent of the Tornado, weakened but the pressure fell mostly on GEC and Rolls-Royce. Few stocks were able to sustain a rally and BAe closed 14 weaker at 546p, GEC 9 easier at 208p and Rolls 5 off at 217p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (98).
BRITISH FUNDS (4) BANKS (1) BUILDINGS (1) CHEMICALS (2) STORES (1) ELECTRICALS (2) ENGINEERING (1) FOODS (1) INDUSTRIALS (12) Alfa-Laval B, BOC, China Light, Courtaulds, Elgs, Porvair, Robertson, Securiguard, Shanks & McEwan, Stat-Plus, Tomkins, Do. 5.5pc Cv. Pf., INSURANCE (2) TRUSTS (1).
NEW LOWS (76).
AMERICANS (3) CANADIANS (3) BANKS (2) BREWERS (1) BUILDINGS (6) CHEMICALS (1) STORES (3) ELECTRICALS (2) ENGINEERING (1) FOODS (3) INDUSTRIALS (16) ADG, Apollo Watch Prods., Assoc. Energy, Cahill May Roberts, Cooper (Alan), Cowan de Groot, Cresta Hldgs., GR Hldgs., Macarthy, Stormgard, INSURANCE (2) LEISURE (3) MOTORS (1) NEWSPAPERS (1) PAPERS (2) PROPERTY (4) TEXTILES (2) TRANSPORT (3) TRUSTS (4) OILS (4) PLANTATIONS (1) MINES (6) THIRD MARKET (7).

FINANCIAL TIMES STOCK INDICES

	June 19	June 18	June 15	June 14	June 13	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.25	79.47	79.76	79.95	79.03	84.72	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.36	88.48	88.28	88.20	87.87	95.59	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1907.4	1911.9	1925.9	1928.5	1933.2	1791.8	1968.3 (3/1)	1658.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	172.3	170.7	167.9	188.2	179.9	184.9	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2369.7	2370.5	2392.3	2403.0	2405.4	2184.8	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.84	4.83	4.80	4.78	4.79	4.45				
Earning Yld %(full)	10.68	10.66	10.56	10.55	10.54	10.51				
P/E Ratio(Net)(☆)	11.35	11.37	11.45	11.48	11.50	11.48				
SEAQ Bargns 4.45pm	24,941	24,314	28,233	33,829	30,058	26,227				
Equity Turnover(£m)†	-	677.52	790.44	1272.36	1214.52	1408.22				
Equity Bargains†	-	22,983	27,095	33,480	30,461	29,008				
Shares Traded (ml)†	-	374.1	351.5	470.1	510.5	N/A				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.22

Ordinary Share Index, Hourly changes Day's High 1911.1 Day's Low 1894.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1894.4	1898.9	1901.0	1905.7	1907.5	1904.6	1904.8	1905.3	1908.2

FT-SE, Hourly changes Day's High 2372.9 Day's Low 2348.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2349.1	2355.5	2358.5	2364.4	2367.4	2363.7	2364.0	2364.9	2369.5

GILT EDGED ACTIVITY

Indices*	June 18	June 15
Gilt Edged Bargains	141.2	152.8
5-Day average	120.1	108.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AGT	5,200	191	-2	Courtaulds	979	356	+5	MEPC	193	504	-1	Slough Ests	191	295	-2
ASDA Group	3,100	119	+1	Dalgety	1,100	382	+1	Manpower	30	86	-½	Smith (W.H.) A	19	356	-4
Abbey National	1,000	202		Dixons	8,800	144	-2	Marks & Spencer	6,200	230	-2	Smith & Nephew	1,100	117½	+½
Allied-Lyons	1,800	580	-2	ECC Group	573	397	-3	Maxwell Comms.	481	204		SmKl Beecham	895	539	
Amstrad	398	87		Enterprise Oil	479	649	+3	Mecca Leisure	1,200	87		SmKl Beecham Units	79	2480	+8
Anglian Water	459	185	-1½	FKI	1,200	74	+1	Midland Bank	1,200	300	+3	Smiths Inds.	1,200	251	-15
Argos	1,700	238½	+2½	Ferranti	3,000	37	-2	NatWest Bank	3,400	332	-2	South West Water	788	163	-3½
Argyll Group	3,800	242½	+½	Fisons	1,700	354		Next	98	89	-1	Southern Water	417	140	-1
Ass. Brit. Foods	80	407	-4	Gen. Accident	392	1108	+5	North West Water	1,500	152	-6	Standard Chartd.	380	460	+8
BAA	454	421	-2	General Elect.	11,000	208	-9	Northern Foods	789	315		Storehouse	1,500	129	+1
BAT Inds.	1,200	646	-1	Glaxo	1,700	817	-2	Northumbrian Water	212	178	-3	Sun Alliance	1,300	328	+1½
[illegible]				[illegible]				[illegible]				[illegible]			
British Airways	2,800	216	-3	Hawker Sidd.	407	651		Redland	326	608	+2	Ultramar	1,100	359	+3
British Gas	3,100	219	+1	Hillsdown	544	278	+2	Reed Intl.	802	453	+1	Unigate	1,100	305	+4
British Land	108	317	+6	[illegible]	93	280		Reuters	1,000	1272	-9	Unilever	1,200	685	+4
BP	7,500	325	+2	ICI	614	1272	-18	Rolls Royce	8,300	217	-5	United Biscuits	1,300	354	-1
British Steel	3,900	148½	+1½	Inchcape	432	367	+3	Rothmans	188	740	+2	Utd. Newspapers	105	338	-1
British Telecom	6,200	288	-1	Kingfisher	881	350	+2	Ryl Bk Scotland	2,600	778	-3	Water Package Uts.	10	£1348	-36
Bunzl	259	97	+1	Ladbroke	1,300	328	+4	Royal Insurance	1,600	508	+3	Wellcome	485	887	+2
Burmah Oil	383	659	+6	Land Securities	335	603	+2	STC	6,700	258	-11	Welsh Water	437	167	-3
Burton	591	165	+1	Laporte	125	571	-2	Saatchi	553	82	+½	Wessex Water	395	166	-3
Cable & Wire.	3,000	535		Legal & General	339	407	+1	Sainsbury	2,100	279	-1	Whitbread "A"	1,800	438	-4
Cadburys	1,700	352	-2	Lloyds Abbey	781	320	+3	Scottish & New.	381	329	-1	Williams Hldgs.	107	280	
Calor Group	716	368	+2	Lloyds Bank	2,300	288	+1	Sears	4,100	98		Willis Faber	170	293	+1
Carlton Comms.	132	540	+2	LASMO	924	589	+1	Sedgwick	169	248	+2	Wimpey	412	276	+1
Coats Viyella	993	126	-1	Lonrho	2,200	282	-1	Severn Trent Water	1,900	142	-6	Yorkshire Water	588	194	-3
Comm. Union	357	515	+2	Lucas	1,800	185	-8	Shell Transport	4,300	461	+7				
Cookson	1,300	216	-5	MB Group	620	217	-3	Siebe	139	516	+1				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Chairman of Adwest Group

For personal reasons, Mr Michael Waller, chief executive, is to relinquish his executive duties at ADWEST GROUP on July 1. On the same date he will become non-executive deputy chairman. Mr Fred Grant, the chairman, will also become chief executive. Mr Graham Menzies will be appointed group managing director. Mr Menzies joined the Adwest Group in 1985 and is currently chief executive of the automotive division.

■ Dr David Swallow has been appointed a non-executive director of HICKSON INTERNATIONAL. He was previously a director of RTZ Chemicals, Staveley Chemicals and John & E. Sturge.

■ MAI, a financial, media and information services group, has appointed Mr Wayne Lochner as managing director of MAI Brokers (Asia & Pacific). He joins from the M.W. Marshall Group, where he was group treasury manager/development manager.

■ Mr Jerry Brooks, finance director, has joined TELECOM TECHNOLOGY main board.

Sir John Swire (*pictured*), honorary president of John Swire & Sons, is to become a director of SHELL TRANSPORT AND TRADING COMPANY on July 2.

■ Mr Peter G. Ledbetter has joined SILVERMINES as a non-executive director. He is a founder member of the GPA Group.

■ UNITED ENGINEERING STEELS, a specialist producer of engineering steels and forgings, has appointed Mr Dennis Allen as its finance director from August 6. He joins from John Brown, where he was finance director.

■ Mr A.J. Jan-Janin has been appointed managing director of the HYMATIC ENGINEERING COMPANY, part of the FR Group. He was a director and general manager of Dowty Electrics.

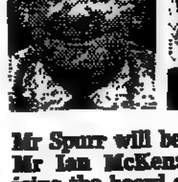
■ Mr Tom B. Downie, general manager, Far East division, Worldfast, becomes a director of GLOBEPORT from July 1.

■ Mr David Wake-Walker has been appointed a director of TOWN & COUNTRY BUILDING SOCIETY. He is a director of Kleinwort Benson Group.

Mr I.H.A. Gunn (*pictured*) has become managing director of LAWSON MARDON FLEXIBLE, *Midsomer Norton*. He succeeds Mr C.R. Streat who has been appointed group deputy chairman in which capacity, until his retirement in 1991, he will provide assistance on divisional projects in addition to his responsibilities at Lawson Mardon Flexible. Mr F.A. Vassalli has been made deputy managing director of Lawson Mardon Flexible in addition to his role as production director.

Changes at Blue Circle Industries

Mr Michael Spurr is to retire from the board of BLUE CIRCLE INDUSTRIES in April 1991 and will relinquish his present responsibilities on June 30 to devote his remaining time to special projects in the UK and overseas. He will remain a member of the board until his retirement.



Mr Spurr will be succeeded by Mr Ian McKenzie (*left*) who joins the board of BCI on July 1 and is to become chief executive of the cement division. Mr Charles Young (*right*) will join the board on July 1 and will become chief executive of the home products division. Mr Peter Prutaley is to resign from the board of Blue Circle Industries. He gives up his current responsibilities on June 30 and leaves the group on July 31.

■ At AK INTERNATIONAL BANK Mr Ian Paterson has joined the board. He was a director of Midland Bank and Standard Chartered Bank. Mr Paterson replaces Mr Paul B.L. Clark who is retiring.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

Index-Linked

(b) (1) (2)

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
21½	14½	Chase Manhattan $12½	[illegible]	[illegible]	$2.36		10.0
19½	14	Chem. Banking Corpn	15	[illegible]	$2.72		10.9
[illegible]							

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	216xd	–3	44c	1.4	9.2	7.7
210	172	Abbey National 10p	202	.....	5.7	4.3	3.8	8.2
*274	210	Allied Irish Ord.	229	–5	Q40%	♦	4.1	♦
£13¼	£11¼	Algemene Fl.10	£11⅜	+⅛	Q28%	2.1	8.0	5.9
85	68	Anglo Irish	68	–3	Q18.7%	2.7	6.5	9.3
83	65	Ansbacher (H.) 1p	80	+2	2.5	1.3	4.2	23.0
£71¼	£54¼	Bancaire Cie Fr100	£59¼	–⅞	Q12½%	–	2.3	–
£22¼	£16⅝	Banco Bilbao Viz.	£17½	.....	Q49.1%	2.7	4.9	11.1
£31	£24¼	Banco de Santander	£26¼	–⅜	Q25%	2.4	4.3	9.8
286	224	Bank Ireland Ir£1	253	–4	Q14.7%	2.9	5.5	8.4
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	104	Bank Scotland	117	–2	4.55	3.3	5.2	7.8
100¼	83¼	Do. 9¼pc Irrd Pf.	95	+½	9¼%	–	13.0	–
54	39	Bank of Wales	46	.....	2.8	0.8	8.1	(22.1)
428	352	Barclays £1	390xd	+3	‡19.57	3.5	6.7	5.4
22	12	Benchmark 20p	13	.....	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	312xd	.....	12.0	♦	5.1	♦
*435	341	Cater Allen £1	415xd	.....	N24.5	♦	7.9	♦
179	124	Chancery	129	+2	9.0	♦	9.7	♦
£23¼	£18¾	Commerzbk DM10	£18¾	.....	Q18%	–	3.5	–
£13¼	842	Dai Ichi KBk Y50	873	–47	Q17%	♦	0.4	♦
*£313¾	£261	Deutsche Bk DM50	£274¼	+9¼	Q28%	–	1.8	–
£20⅞	£19	Espirito Santo	£19	.....	Q75c	♦	2.4	♦
253	183	First Nat. Fin. 10p	225	.....	13.0	2.4	7.7	6.9
121	96	FNFC 6.3pc Cv. Pf.	110	.....	6.3%	–	7.6	–
£13¼	995	Fuji Bank Y50	£10	+⅛	Q17%	♦	0.3	♦
325	262	Gerrard & National	314	+4	19.0	♦	8.1	♦
154	128	Guinness Mahon 10p	128	.....	2.1	–	2.2	–
328	223	Hambros 20p	283	.....	†10.0	–	4.7	–
128	93	Do. 7.5pc Cv Pf.	113	+1	7½%	–	8.8	–
53½	43	HK & Shang. HK$2.50	43	–½	hQ38c	–	6.7	–
478	458	Joseph (Leo) £1	458	.....	15.85	–	4.6	–
150	126	King & Shaxson 20p	144	.....	10.25	♦	9.4	♦
422	340	Kleinwort Benson Grp.	388	–3	16.0	2.5	5.5	9.8
642	402	Kyowa Bank Y50	454	–9	Q14%	♦	0.6	♦
312	242	Lloyds £1	288	+1	13.3	2.6	6.2	6.8
56	44	Lon. Scot. Bank 10p	47	–1	†2.4	1.9	6.9	9.1
404	271	Midland £1	300	+3	18.0	2.6	8.0	6.2
£14½	£10⅞	Mitsubishi Bank Y50	£10⅞	.....	Q17%	♦	0.3	♦
£12¼	£6⅞	Mitsubishi Tst & Bk Y50	£7⅛	–⅛	Q17%	♦	0.5	♦
£10⅜	£7⅞	Mitsui Bank Y50	£8⅜	–⅛	†Q16%	6.0	0.4	44.6
904	559	Mitsui Tst & Bk Y50	585	–6	Q17%	♦	0.6	♦
326	279	Nat. Aust. Bk. A$1	283	–1	sQ50c	1.6	8.0	7.8
368	299	NatWest £1	332	–2	16.7	3.3	6.7	6.1
£210	£185	Ottoman Bank	£185	–5	Q110%	2.8	5.9	6.0
55	39	Rea Bros. Group	46	.....	0.5	3.4	1.4	22.0
200	152	Rothschild (J) Hldgs.	155	–1	10.0	♦	8.9	♦
227	149	Royal Bk. Scotland	176	–3	†7.2	3.8	5.5	6.2
795	424	Saitama Bank Y50	492	–28	Q14%	♦	0.6	♦
£12¼	806	Sanwa Bank Y50	856	+3	Q17%	♦	0.4	♦
902½	712½	Schroders £1	888	+5	h12.5	5.9	2.1	10.9
712½	537½	Do. £1 N/V	603	.....	h12.5	5.9	2.8	8.1
£25¼	£20⅞	Sec. Pacific $10	£22⅛	–½	Q$1.96	–	5.2	–
616	454	Standard Chartd. £1	498	+5	35.0	1.4	9.5	(9.2)

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1...	850	......
Finlay Pkg. 5p....	53	......
Holt (Jos) 25p.....	1300	-5

Carrol (P.J.).......	140	......
Hall (R. & H.)......	165	......
Heiton Hldgs.......	74	......
IRG	205	......
United Drug........	160xd	-5

IRISH

Cap. 8½% Ln 1991...	£98¼	......
9pc Cap Ln. 1996..	£94½	......
Fin. 13% 97/02...	£112¼	......
Arnotts............	205	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	40
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	93
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	98
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	12

Oils

Aviva Petlm	5
Brit Petroleum	28
Burmah Oil	65
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	54

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Touche Remnant Unit Tst Mngt Ltd —Contd.						
TR Income Growth	5¼	90.00	90.00	95.74	+0.11	4.79
TR Income Equity	5¼	52.59	52.59	55.94	+0.04	6.86
TR Japan Growth	5¼	83.35	83.35xd	88.48	-1.39	0
TR Overseas Growth	5¼	68.18	68.18xd	72.70	-0.27	0
TR Smaller Cos	5¼	78.10	78.10	83.08	-0.16	3.65
TR Special Ops	5¼	88.32	88.32	93.95	+0.25	4.19
TR Mgd Eq Plan Acc	5¼	36.29	36.29	38.60	+0.06	2.99
TR Mgd Eq Plan Inc	5¼	34.03	34.03	36.20	+0.06	2.99
TR Wwde Sp Sit Acc	5¼	39.96	39.96	42.67	-0.05	0
TR Wwde Sp Sit Inc	5¼	39.92	39.92	42.62	-0.06	0
TR Pension Portfolio						
TR American Gwth ♦	6	29.19	29.58	31.35	-0.03	0
TR Eur Sp Sits ♦	6	36.16	36.51	38.70	+0.21	0
TR General Growth ♦	6	26.03	26.31	27.89	-0.09	0
TR Global Tech ♦	6	30.44	30.85	32.70	-0.58	0
TR Income Growth ♦	6	26.18	26.46	28.05	-0.07	0
TR Japan Growth ♦	6	26.11	26.33	27.91	-0.47	0
TR Mgd Equity ♦	6	27.78	28.07	29.76	-0.02	0
TR Overseas Growth ♦	6	29.28	29.66	31.44	-0.15	0
TR Smaller Cos ♦	6	18.44	18.64	19.75	-0.05	0
TR Special Ops ♦	6	18.14	18.34	19.44	-0.09	0
TR Stlg Liquidity ♦	6	26.49	26.96	28.08	+0.08	0
TR Wwde Sp Sits ♦	6	32.48	32.95	34.93	-0.21	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
TUUT	5	254.0	259.3	272.9	-1.2	3.17
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	170.3	172.8	183.9	-1.40	3.31
Tyndall Unit Tst Mngrs Ltd (1600)F						
25 Bucklersbury, London EC4N 0800 373574						
Austral Value	5¼	40.39	40.39	42.83	+0.01	–
British Lion	5	89.10	89.10	94.46	-0.49	4.03
Accum Units	5	94.16	94.16	99.81	-0.53	4.03
Capital Defender	5	37.55	37.55	39.81	-0.31	12.96
Accum Units	5	42.87	42.87	45.46	-0.35	12.96
1992 Lowgrowth Acc	5¼	78.01	78.01	82.70	+0.05	1.05
Income	5	79.25	79.25	84.01	-0.16	8.00
Accum Units	5	91.23	91.23	96.71	-0.18	8.00
Smaller Co's	5	71.50	71.50	75.80	-0.12	3.54
Accum Units	5	74.64	74.64	79.13	-0.12	3.54
Tiger Accum H	5¼	74.96	74.96	79.47	-0.37	1.87

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Life Assurance Co Ltd—Contd.				
High Inc. Ser. 4	477.5	502.7	-2.3	–
Money Ser. 4	250.8	264.1	+0.5	–
Intl Ser. 4	114.8	120.9	-0.3	–
Custodian Ser. 4	105.3	110.9	-0.3	–
Pension Funds				
Property	637.4	671.0	-10.9	–
Equity	1174.4	1236.3	-14.4	–
Selective	384.9	405.2	-2.7	–
Managed	861.1	906.5	-7.2	–
Security	495.6	521.7	+0.2	–
Fixed Int.	262.9	276.8	-1.4	–
Indexed	159.6	168.1	-0.2	–
American	274.3	289.2	-3.3	–
Japan	318.4	335.2	-2.8	–
European	186.9	196.8	+1.1	–
High Income	132.6	139.6	-0.8	–
Ethical	122.2	128.7	-0.6	–
International	211.1	222.3	-0.7	–
Acuma Life Assurance Ltd				
The Glanty, Egham, Surrey TW2 9AT 0784 475533				
Managed	175.1	184.3	-0.6	–
World Growth	146.6	154.3	-0.9	–
UK Equity	203.4	214.1	-0.6	–
UK Small Companies	175.1	184.3	-0.3	–
European	153.7	161.7	+0.7	–
Far Eastern	308.6	324.8	-3	–
Nth American	113.4	119.3	-2.7	–
Fixed Interest	127.9	134.6	-0.3	–
Index Linked Stks	143.6	151.1	-0.5	–
Money	128.4	135.1	–	–
Pen Managed	223.4	235.2	-0.5	–
Pen World Growth	161.3	169.8	-0.8	–
Pen UK Equity	289.8	305.0	-0.5	–
Pen UK Small Cos	221.8	233.4	-0.6	–
Pen European	151.5	159.4	+1	–
Pen Far Eastern	456.9	480.9	-4.4	–
Pen Nth American	115.4	121.4	-1.6	–
Pen Fixed Interest	155.6	163.7	-0.3	–
Pen Index Lnkd Stks	153.9	161.9	-0.3	–
Pen Money	148.3	156.1	–	–
AEtna Life Insurance Co Ltd				
2-12 Pentonville Rd, London N1 9XD				

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

Norwich Union Life Insurance Soc.–Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Pensionvestor* & Unit-Linked Plan*				
Mixed Fund	407.5	428.9	+2.7	–
Ordinary Share Fund	608.2	640.2	+11.5	–
International Fund	169.0	177.9	–2.8	–
Property Fund	263.0	276.8	+0.5	–
Fixed Interest Fund	297.6	313.3	+3.4	–
Index-Linked Sec Fund	172.6	181.7	+1.0	–
Deposit Fund	226.5	238.4	+0.7	–
Norwich Units May 15		938.37		–
*Prices as at June 12				
Jersey Investment Plan				
With Profits Fund	99.18	104.40	+0.04	–
Intl Equity Fund	94.28	99.24	–0.72	–
Intl Bond Fund	97.36	102.48	–0.09	–

Pearl Assurance (Unit Funds) Ltd
Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or –	Yield Gross
Prop. Dist. (Gross)	170.6	179.6	+0.1	–
Prop. Acc. (Gross)	291.6	307.0		–
Equity (Gross)	815.8	858.7	–8.8	–
Managed (Gross)	569.2	599.2	–4.8	–
Prop. Acc. (Net)	135.6	142.8		–
Equity (Net)	188.1	198.0	–1.9	–
Managed (Net)	173.6	182.8	–1.3	–
International (Net)	166.8	175.6	–1.0	–
Gilt & Fxd Interest	104.7	110.3	+0.4	–
Money Fund	116.3	122.4		–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	574.1	604.4	–5.1	–
Ret Man (Series 2)	194.7	205.0	–1.7	–
Ret Man (Series 3)	129.8	129.8	–1.1	–
Ret Cash	155.8	164.0	+0.1	–
Ret Cash (Series 3)	129.3	129.3		–

Pegasus Assurance Ltd
Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Managed Aggressive	105.0	110.6		–
Managed Balanced	98.3	103.5	–0.5	–
Managed Cautious	94.3	99.35	–1.2	–
Pension Funds				

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or –	Yield Gross
Prufund				
Managed June 13	249.7	260.2		–

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 071-439 3134

	Bid Price	Offer Price	+ or –	Yield Gross
Holborn Series I Life Funds				
Managed	555.7	585.0	–2.4	–
Equity	1133.5	1193.2	–3.5	–
Fixed Interest	377.3	397.2	–0.3	–
Property	435.2	458.2		–
Cash	286.9	302.1		–
International	391.7	412.4	–3.5	–
Holborn Series II Life Funds				
Managed	543.4	572.1	–2.4	–
Equity	1105.3	1163.5	–3.4	–
International	383.2	403.4	–3.4	–
Fixed Int	366.6	385.9	–0.3	–
Property	423.1	445.4		–
Cash	279.2	293.9	+0.3	–
Pacific Basin	205.4	216.3	–1.9	–
North American	154.8	163.0	–3.8	–
European	192.1	202.3	+0.6	–
Holborn Balanced Gwth	114.8	120.9	–0.5	–
Holborn Strategic Gwth	115.0	121.1	–0.4	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 071-439 3134

	Bid Price	Offer Price	+ or –	Yield Gross
Managed	579.6	610.2	–2.4	–
Equity	841.8	886.2	–3.1	–
Global Equity	242.3	255.1	–1.8	–
Fixed Interest	407.1	428.6	–0.4	–
Property	434.0	456.9		–
Cash	179.2	188.7	+0.1	–
Index Linked Gilt	207.2	218.2	–0.8	–
Guaranteed	14.12		+0.12	–
International Money	212.5	223.7	+0.3	–
North American	74.1	78.1	–1.2	–
Japanese	126.0	132.7	+0.6	–
European	115.1	121.2	+3.8	–
Special Situations	119.2	125.5	–1.0	–

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or −	Yield Gross
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$10.92	10.97	.....	–
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£13.77	14.61	.....	–
Pacific Basin Fd	$100.98	107.19	.....	–
Western European	$17.06	18.24	.....	–
The Thai-Euro Fund Ltd				
Lloyds Bank Fund Mngrs (Guernsey) Ltd				
NAV June 8		23.49	.....	–
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.27	1.34	−0.1	–
Hi Yield Bond	64.0	67.5	.....	–
Internat. Spec. Sits	46.4	49.9	−0.2	–
Management Fd	87.6	92.1	−1.6	–
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$711.57	.....	–
Fixed Income Shares		$827.79		–
Wellington Fd Mngrs (Guernsey) Ltd				
Intl Growth Fd	$13.61	14.29	−0.03	–
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth		$12.01	−0.13	–
Yamaichi ISS Fund		$8.56	−0.08	–
Yamaichi CB Plus Fund		$9.18	−0.04	–
Thai Ion Fund		$13.29	.....	–

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
AIG Fund Management Ltd "MI Trusts"						
MI Global Dollar		5-	1.00	1.071	.....	–

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)H

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Allied Irish Fund Managers—Contd.						
Do Sterling Equivalent			£21.3729		.....	–
Ecu			Ecu12.9871		.....	–
Irish Gilt Fd			I£189.4954		.....	–
Intl Managed Dollar			$25.9563		.....	–
Intl Managed Bond			I£21.6493		.....	–
Barclays Intl Funds						
Currency Funds						
Sterling			£18.06		+0.02	13.6
US Dollar			$29.01		+0.01	6.8
Deutschemark			DM49.75		+0.04	6.5
Yen			Y3,712		+0.001	5.5
Managed Multicurrency			£12.40	12.84	+0.01	–
Managed Multicurrency			$23.68	24.52	+0.02	–
Bond Funds						
Sterling Bond			£0.382	0.397	−0.002	12.1
US Government Income			$95.19	98.58	−0.17	8.3
Brown Shipley Fund Mgmt (CI) Ltd						
Sterling Bd(hKDaily)			£8.82	9.12xd	−0.03	10.96
Sterling Cap (Daily)			£31.90	31.92	+0.01	–
Intl. Bond (Daily)			$14.59	15.57	+0.09	8.28
Int. Currency (Wed)			£1.45	1.53	.....	7.84
Cater Allen Investment Management (CI)						
CA Gilt Income			£6.74	7.05	.....	17.02
CA Gilt & Futures			960.00	1009.00	.....	7.93
CA Equity Gwth(2-1)			£4.67	5.05	−0.01	3.96
Citibank (CI) Ltd "Citifunds"						
Liquidity Funds						
Deutschmark			DM26.823		+0.003	–
Yen			Y2713.634		+0.441	–
Sterling			£10.208		+0.003	–
US Dollar			$16.583		+0.003	–
Managed			$16.141		+0.004	–
Short term Investment Funds						
Irish £ June 14			98.034		+0.123	–
Equity Funds						
Global Equity			$17.039		+0.028	–
Japan Equity June 14			$10.600		−0.227	–
European Equity June 18			$16.387		+0.104	–
US Em Hlth June 18			$12.772		+0.107	–
US Spec Sits June 18			$14.980		+0.019	–
US Em Tech June 18			$14.851		+0.362	–

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

	Bid Price	Offer Price	+ or −	Yield Gross
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.26	10.27	.	–
Dollar Fd OPUPs	$10.53	10.60	.....	–
Sterling Fd BOPUPs	£10.27	10.28	.	–
Sterling Fd OPUPs	£11.40	11.47	..	–
DM Fd BOPUPs	DM10.03	10.04	.....	–
DM Fd OPUPs	DM10.29	10.35	–	–
Yen Fd BOPUPs	$7.54	7.55	.....	–
Yen Fd OPUPs	$10.43	10.50	.	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst.	$13.25	13.92	−0.06	0.78
Japanese Warrants	$10.17	10.77	+0.27	–
Asian Warrants	$4.82	10.30	+0.03	–
European Warrants	$10.00	10.59	−0.07	–
Managed	HK$9.70	10.34	+0.05	–
Wells Fargo U.S. IT Fund				
NAV June 18		$10.02	.....	–
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0253	.	–
Xiphias Int ECU		Ecu1.0241	.	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int. Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14.73	–	15.57	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.70	–	15.53	3-Mth
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.85	–	15.70	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			071-236 1425	
Call Fnd	14.24	11.11	15.22	6-Mth
7-day Fund	14.42	11.25	15.42	6-Mth
Special Fund	14.64	–	16.01	1-Mth
Dollar	7.00	5.46	7.43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc.	13.50	10.53	14.60	Qtr
Mnthly Inc £1,000-£4,999	13.50	10.53	14.73	Mth
Mnthly Inc £5,000-£49,999	14.00	10.92	15.31	Mth
Mnth Int Cha £50,000+	14.50	11.31	15.89	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			071-629 6802	
OMNA (£2,001+)	14.78	11.53	16.210	Mth
HICA (£2,001+)	13.90	10.84	15.196	Mth
PROMNA (£250,001+)	14.90	11.62	16.349	–
American Express Bank Ltd				
c/o American Express Financial Services Limited, 49 The Martlets, Burgess Hill, West Sussex RH15 9NW 0444 870088				
High Performance Cheque Account				
£1,000-£4,999	12.16	9.50	12.87	Mth
£5,000-£9,999	12.30	9.60	13.01	Mth
£10,000-£24,999	12.81	10.00	13.59	Mth

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to drift lower

THE US DOLLAR continued to drift lower yesterday in thin technical trading, while sterling recovered from early losses after Mrs Margaret Thatcher, the prime minister, said the UK would maintain a tight monetary policy. The D-Mark held firm against a weakening Japanese yen.

The dollar had been depressed by recent economic data indicating that indicated the US economy is weakening, while inflation remains above the Federal Reserve's 4½-5.0 per cent target, analysts said.

Mr Neil MacKinnon, chief economist at Yamaichi, said a perception that the Fed would not tighten monetary policy had also undermined the US unit. Furthermore, real US yields were low by historical standards, and this made the dollar less attractive to investors. He noted that the one percentage point difference between the yield on three-month dollar and yen Euro-deposits was at its smallest for 10 years.

The dollar is now in a lower trading range and may be locked there until the end of the month, according to many analysts. Mr Christian Dunis, economist at Chemical Bank, said uncertainty ahead of German monetary union and the next Federal Open Market Committee meeting, both in early July, could leave the dollar directionless. Until then, he expected the dollar to trade between DM1.6625 and 1.6925, compared with its range in the first part of June of DM 1.6805 and 1.7040.

The dollar closed lower yesterday at DM1.6700 from DM1.6760. It also weakened to Y153.55 from Y153.70; to SFr1.4080 from SFr1.4165; and at FFr5.6150 from FFr5.6350. The dollar's index, calculated by the Bank of England, fell 0.3 to 67.3.

Sterling initially traded lower as dealers worried that inflationary pressures could upset the timing of the pounds' full entry into the European Monetary System. But it later rebounded after Mrs Thatcher said the government would maintain its tight monetary policy "because base rates at 15 per cent succeed in bringing down inflation." This was backed up in the money markets, where the Bank of England continued to underpin rates by its daily credit market operations.

The pound is expected to remain steady until the release on Friday of the May UK trade figures. The market consensus is that the current account deficit will narrow to £1.3bn from £1.8bn the previous month.

Sterling closed higher at $1.7205 from $1.7135; at FFr9.6600 from FFr9.6550; and at Y264.25 from Y263.25. It was unchanged at DM2.8725, but eased to SFr2.4225 from SFr2.4275.

The D-Mark was firm against the yen, which suffered from vague talk about a report of a scandal involving a leading Japanese politician. The concern over the speed of Japanese monetary growth had also depressed the yen. The D-Mark closed at Y91.85 up from Y91.52.

£ IN NEW YORK

June 19	Close	Previous Close
£ Spot	1.7208-1.7218	1.7145-1.7155
1 month	0.98-0.97pm	0.92-0.90pm
3 months	2.72-2.70pm	2.71-2.68pm
12 months	9.28-9.21pm	9.28-9.21pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 19	Previous
8.30 am	90.1	90.5
9.00 am	90.1	90.5
10.00 am	90.1	90.5
11.00 am	90.1	90.5
Noon	90.2	90.4
1.00 pm	90.2	90.4
2.00 pm	90.2	90.4
3.00 pm	90.3	90.4
4.00 pm	90.4	90.4

CURRENCY RATES

June 19	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.769542	0.717211
U.S Dollar	7	1.31330	1.22808
Canadian $	13.32	1.53984	1.44177
Austrian Sch.	6½	15.5849	14.4815
Belgian Franc	10¼	45.5420	42.3135
Danish Krone	10½	8.43073	7.83086
Deutsche Mark	6.00	2.21580	2.05826
Neth. Guilder	7.00	2.49396	2.31702
French Franc	10¼	7.45232	6.92269
Italian Lira	13½	1626.53	1510.54
Japanese Yen	5¼	202.117	189.124
Norway Krone	8	8.50756	7.92481
Spanish Peseta	-	136.848	127.070
Swedish Krona	11	N/A	7.45814
Swiss Franc	6.00	1.87868	1.74019
Greek Drach.	20½	N/A	201.295
Irish Punt	-	N/A	0.767647

† European Commission Calculations.
* All SDR rates are for June 18

CURRENCY MOVEMENTS

June 19	Bank of England Index	Morgan** Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

June 19	£	$
[illegible]	[illegible]	[illegible]
Singapore	3.1575-3.1650	1.8405-1.8425
S. Af (Cm)	4.5685-4.5800	2.6620-2.6635
S. Af (Fn)	6.6560-6.7870	3.8760-3.9525
Taiwan	47.05-47.15	27.40-27.45
U.A.E.	6.2690-6.2765	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Jun 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14⅞-14¾	14 13/16-14⅞	14 13/16-14¾	14 11/16-14 9/16	14 11/16-14 9/16
US Dollar	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅝-8½
Can. Dollar	13-12¾	13⅛-13	13⅜-13¼	13½-13¼	13½-13¼	13⅛-12 15/16
D. Guilder	7⅛-7	8-7⅞	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅜-8¼
Sw. Franc	9-8¾	9-8¾	9-8¾	8 13/16-8 11/16	8 13/16-8 11/16	8½-8⅜
Deutschmark	7 13/16-7 11/16	7 13/16-7 11/16	8⅛-7 15/16	8¼-8⅛	8⅜-8¼	8 13/16-8 11/16
Fr. Franc	9⅝-9⅜	9⅝-9⅜	9¾-9⅝	10-9⅞	10⅛-10⅛	10⅜-10⅛
Italian Lira	13-11	11-10	11⅛-10¾	11⅛-10⅞	11⅛-11	12-11⅝
Belgian Franc	9-8¾	9⅛-9⅛	9⅜-9⅜	9⅜-9⅜	9⅜-9⅜	9⅜-9⅜
Yen	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛
D.Krone	11⅛-10 13/16	11⅛-10 13/16	10⅞-10⅛	10⅝-10½	10⅝-10½	10⅝-10⅜
Asian $Sing	8¼-8⅛	8⅜-8⅛	8⅜-8⅛	8⅜-8⅛	8⅜-8¼	8½-8⅜

Long term Eurodollars: two years 8 13/16-8 11/16 per cent; three years 9-8⅞ per cent; four years 9⅛-9 per cent; five years 9 3/16-9 1/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

June 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7085 - 1.7225	1.7200 - 1.7210	0.97-0.95cpm	6.70	2.72-2.68pm	6.28
Canada	2.0070 - 2.0215	2.0195 - 2.0205	0.25-0.17cpm	1.25	0.60-0.47pm	1.06
Netherlands	3.22½ - 3.23½	3.22¾ - 3.23¾	1¾-1¼cpm	6.73	5¼-4¾pm	6.19
Belgium	58.80 - 59.20	59.10 - 59.20	28-25cpm	5.38	77-72pm	5.04
Denmark	10.90 - 10.94½	10.93¼ - 10.94¼	4-3⅝cpm	4.18	11¼-10⅞pm	3.98
Ireland	1.0670 - 1.0740	1.0710 - 1.0720	0.39-0.35cpm	4.14	1.13-1.02pm	4.01
W. Germany	2.86½ - 2.87¾	2.87 - 2.87½	1¾-1⅝pfpm	7.05	4¾-4½pm	6.44
Portugal	251.35 - 253.00	252.00 - 253.00	30-31cpm	1.92	12-26dis	-0.30
Spain	176.65 - 177.55	177.00 - 177.30	6-1cpm	0.24	8-4pm	0.14
Italy	2102¼ - 2110	2108 - 2109	7-6lire	3.70	19-17pm	3.41
Norway	11.03 - 11.09¼	11.06¼ - 11.07¼	3½-2¾orepm	3.39	8½-7¾pm	3.96
France	9.63¼ - 9.68¼	9.65½ - 9.66½	4⅝-4¼cpm	5.28	11¾-11pm	4.63
Sweden	10.38¼ - 10.43	10.41¼ - 10.42¼	2½-2¼orepm	2.73	6½-5¾pm	2.37
Japan	262¼ - 264¼	263¼ - 264¼	1¾-1⅝ypm	7.66	4¾-4¼pm	7.28
Austria	20.16 - 20.23	20.19 - 20.22	11¼-10½gropm	6.46	31½-27¾pm	5.94
Switzerland	2.41½ - 2.43	2.41¼ - 2.42¼	1¾-1⅝cpm	6.19	3⅝-3¼pm	5.78
ECU	1.3935 - 1.3955	1.3940 - 1.3950	0.59-0.56cpm	4.95	1.58-1.53pm	4.46

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.24-5.19cpm 12 month 9.29-91.19pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7085 - 1.7225	1.7200 - 1.7210	0.97-0.95cpm	6.70	2.72-2.68pm	6.28
Ireland†	1.5975 - 1.6060	1.6040 - 1.6050	0.33-0.28cpm	2.28	0.92-0.82pm	2.17
Canada	1.1725 - 1.1750	1.1730 - 1.1740	0.52-0.55cdis	-5.47	1.53-1.58dis	-5.30
Netherlands	1.8785 - 1.8890	1.8785 - 1.8795	0.03cdis-par	-0.06	0.02-0.05dis	-0.07
Belgium	34.30 - 34.50	34.30 - 34.40	2.00-6.00cdis	-1.40	7.00-15.00dis	-1.28
Denmark	6.35½ - 6.38¼	6.35½ - 6.36	1.27-1.57oredis	-2.68	3.40-4.10dis	-2.36
W. Germany	1.6675 - 1.6775	1.6695 - 1.6705	0.05-0.02pfpm	0.25	0.05-0.03pm	0.10
Portugal	146.70 - 147.20	146.70 - 146.80	55-65cdis	-4.91	230-250dis	-6.54
Spain	103.10 - 103.65	103.15 - 103.25	55-61cdis	-6.74	158-171dis	-6.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE EURO MARK OPTIONS; LIFFE SHORT STERLING OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE EURODOLLAR OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
June	1980.0	2011.0	+21.0	2014.0	1978.0	4,452
July	1984.0	2010.0	+21.5	2013.0	1978.0	1,904
August	1993.0	1993.0	-4.5	1993.0	1993.0	290
September	-	-	-	-	-	10

Estimated volume 6,986 Total Open Interest 6,606

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co.	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£50,000+ instant access 13.7% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKETS

UK rates firm

UK short-dated rates were firm yesterday as the Bank of England left the money market short of liquidity for the second day running. Analysts said the Bank of England had reinforced last week's message that it did not want a decline in interest rates.

"There is no doubt about it. At the short end of the money market, the Bank of England is trying to make its presence felt," said Mr Nick Parsons of Union Discount.

The Bank had initially forecast a money market shortage of around £300m, which it later revised to £390m and finally to £400m. However, the only operations conducted were during the afternoon, when it purchased £237m of band 1 bank bills at 14⅞ per cent and provided late assistance of around £10m. This left the market around £150m short. On Monday the market was left £70m short.

The Bank's attempt to bolster very short rates meant that the main action was in over night money, which traded between 14½ and 15¼ per cent. It closed at 14 11/16-14 11/16 per cent from 15¼-14.

The key three-month interbank rate closed unchanged at 14 13/16-14⅞ per cent. Six months money eased 1/16 point to 14 11/16-14 13/16, while one year added 1/16 point to 14 13/16-14 11/16 per cent.

Futures dealers said they expected interest rate contracts to follow sterling until the release of the May UK trade figures on Friday. On the London International Financial Futures Exchange, the September short sterling contract was unchanged at 85.32, up 1 basis point on the day, having traded down to 85.28 in early dealings.

In Frankfurt, West German call money edged up to 7.80-90 per cent, from 7.75-85, as June's tax payments started to drain funds.

They said further tax payments later in June could continue to nudge rates higher, although the Bundesbank could relieve tension if it injected additional funds at its regular securities repurchase tender.

In New York, the Federal Reserve refrained from open market operations, despite expectations that it may add temporary reserves to the banking system through customer repurchase agreements.

At the usual time that the Fed conducts its credit market operations, Fed Funds were trading at an unchanged level of 8¼ per cent.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (4pm) — Treasury Bills and Bonds

Prime rate	10	One month	7.23	Three year	8.43
Broker loan rate	9½	Two month	7.47	Four year	8.50
Fed. funds	8¼	Three month	8.01	Five year	8.46
Fed. funds at intervention	8¼	Six month	8.06	Seven year	8.54
		One year	8.13	10-year	8.51
		Two year	8.39	30-year	8.48

June 19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-7.90	7.85-8.00	8.00-8.15	8.15-8.30	8.40-8.55	8.00
Paris	9⅜-9 11/16	9¾-9⅞	9⅜-9 11/16	10-10⅛	10⅛-10⅛	9.50
Zurich	8⅝-8⅝	8⅝-8⅞	-	8⅝-8⅞	-	-
Amsterdam	7.35-7.50	8.10-8.20	-	8.26-8.36	-	-
Tokyo	7⅛-7⅛	7⅛-7⅛	-	7⅛-7⅛	-	-
Milan	11¼-11½	11⅝-11⅝	-	11⅛-11⅛	-	-
Brussels	8.55	9⅛-9⅛	-	9⅜-9⅛	-	-
Dublin	11-11⅛	11⅛-11⅛	11-11⅛	10⅞-11⅛	10⅞-11	-

LONDON MONEY RATES

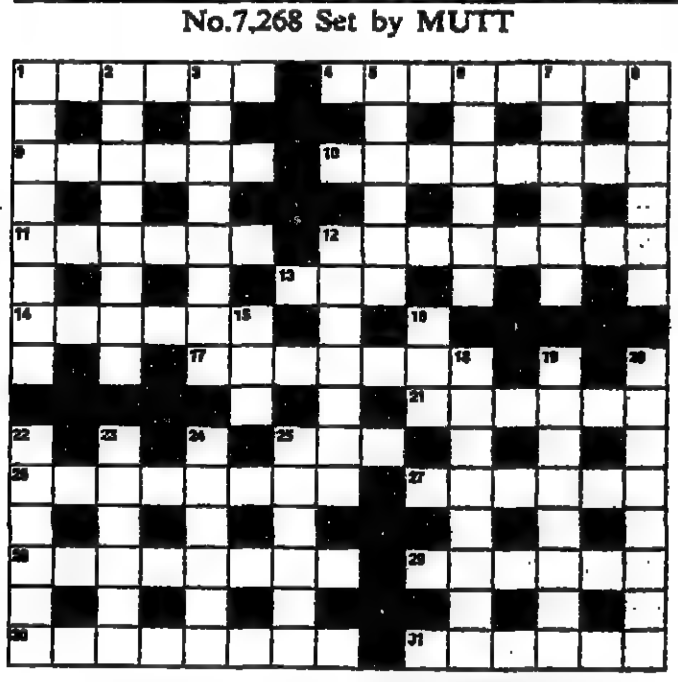
Jun 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	14 13/16	14⅞	14 15/16	15	14 15/16
Interbank Bid	14⅞	14 13/16	14 13/16	14⅞	14⅞	14 13/16
Sterling CDs	-	-	14⅞	14 13/16	14 13/16	14 13/16
Local Authority Deps.	14⅞	14⅞	14 13/16	14⅞	14⅞	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14 13/16	14 13/16	14⅞	-	-
Company Deposits	-	-	14⅞	14 13/16	14 13/16	14⅞
Finance House Deposits	-	-	14⅞	14 13/16	14 13/16	14 13/16
Treasury Bills (Buy)	-	-	14 13/16	14⅝	-	-
Bank Bills (Buy)	-	-	14⅝	14 13/16	13 15/16	-
Fine Trade Bills (Buy)	-	-	15¼	15⅛	14⅞	-
Dollar CDs	-	-	8.25	8.27	8.37	8.55
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9⅜
SDR Linked Dep. Bid	-	-	8¾	8⅞	9¼	9¼
ECU Linked Dep. Offer	-	-	10	10⅛	10⅛	10⅜
ECU Linked Dep. Bid	-	-	9⅞	10⅛	10⅛	10¼

Treasury Bills (sell); one-month 14 11/16 per cent; three months 14⅜ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14 11/16 per cent; Treasury Bills; Average tender rate of discount 14.3572 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31 ,1990 . Agreed rates for period June 26,1990 to July 24 , 1990, Scheme I: 15.91 p.c., Schemes II & III: 16.44 p.c. Reference rate for period May 1,1990 to May 31 , 1990, Scheme IV&V: 15.201 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from June 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,268 Set by MUTT



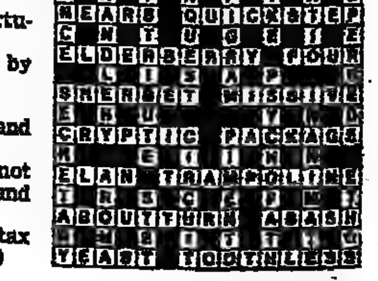
ACROSS

1 Several soldiers taken aback to find small seal (6)
4 Almost spring, nights much shorter (4-4)
9 Turns aside as Green comes in (6)
10 Wrestling hold that makes Sis cross (8)
11 Please be genial (6)
12 Setting setter against setter the while (8)
13, 15 Time for payment indicated on account? (3,3)
14 Required to study about river, it's all coming back (6)
17 Dishonoured cheque to which George puts name with offended indignation (7)
21 Hoot to get let out of Lancashire town (6)
25 Some stuff Ezra put on his head? (3)
26 Great to return after short interval all in one piece (8)
27 Want to get back about a foot to stop hearing (6)
28 Still icy, wet and – uh – slippery (8)
29 Nothing back in payment of cat (6)
30 Princess's spree unfortunately broadcast (8)
31 Men only get points by degrees (6)

DOWN

1 By the Sabbath, missing and not working so hard (8)
2 Desperate urge (yen's not quite right) for the island (8)
3 Crossed out incoming tax and got praised for it! (8)
5 Shun English and science to do woodwork (6)
6 Not keeping record about error (6)
7 Wry one on river flipping coin (6)
8 To expedite, has to catch up (6)
12 Neither one thing nor another being married: takes longer somehow (9)
15 See 13
16 Little woman getting second post (3)
18 With nobody at the opening nothing much happened (3-5)
19 Providing workers move fast, flipper will get key (8)
20 Seen Ken's display of enthusiasm? (8)
22 Looked, one might say, quite huffy (6)
23 Standing in the way to get at us (6)
24 A fly point, as related by dad (6)
25 Freaks out using copiers (6)

Solution to Puzzle No.7,267



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	June 19	June 18	June 15	June 14	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2893.56	2882.18	2935.89	2928.22	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	90.81	90.98	91.05	90.94	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1178.83	1175.73	1193.25	1195.44	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.94	208.31	211.71	213.09	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High (2930.45) Low (2877.45)

STANDARD AND POOR'S	June 19	June 18	June 15	June 14	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	358.47	356.88	362.91	362.91	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	420.11	418.00	425.01	424.51	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	29.38	29.29	29.90	29.94	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.61	194.93	197.86	197.98	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	360.83	360.76	364.05	364.30	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	460.53	460.79	467.55	467.10	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	June 15	June 8	May 25	year ago (approx.)
Dow Industrial Div. Yield	3.67	3.71	4.01	3.59

	June 13	June 6	May 30	year ago (approx.)
S & P Industrial div. yield	2.90	2.91	2.93	3.14
S & P Indl. P/E ratio	17.07	17.01	16.89	12.84

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Day Pete	2,556,000	26	- ⅛
Chrysler	1,700,800	16⅛	+ 1
Boeing	1,597,400	58⅜	- ⅛
Philip Morris	1,574,900	44⅛	+ 1½
IBM	1,445,600	118⅛	—
Global Marine	1,203,200	4⅛	- ⅛
Gen Electric	1,010,800	69⅞	+ ⅛
Motorola	1,009,900	85	- ⅜
Fannie Mae	1,008,500	40⅞	+ ⅛
Am Express	994,400	30⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	June 19	June 18	June 15
New York	135.499	133.470	205.130
Amex	8.084	9.801	12.070
NASDAQ	(u)	157.647	168.499
Issues Traded	2,005	1,999	1,993
Rises	788	348	611
Falls	708	1,205	834
Unchanged	519	446	548
New Highs	18	13	38
New Lows	45	45	29

CANADA

TORONTO	June 19	June 18	June 15	June 14	1990 HIGH	1990 LOW
Metals & Minerals	3181.00	3183.20	3217.70	3229.20	3453.05 (4/1)	2850.80 (23/4)
Composite	3529.10	3519.85	3569.10	3577.11	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1823.84	1822.66	1856.41	1859.94	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. † Correction.

	June 19	June 18	June 15	June 14	1990 HIGH	1990 LOW
SWITZERLAND Swiss Bank Ind. (31/12/58)	812.4	814.8	818.7	820.7	825.1 (5/6)	737.6 (27/3)
TAIWAN** Weighted Price (30/6/66)	5892.88	6016.43	5855.82	6092.32	12495.34 (10/2)	5855.82 (15/6)
THAILAND Bangkok SET (30/4/75)	989.28	983.32	982.44	978.43	1033.52 (8/6)	760.39 (7/2)
WORLD M.S. Capital Intl. (1/1/70)	(u)	515.8	519.1	521.5	571.0 (4/1)	468.3 (2/4)

**Saturday June 16: Taiwan Weighted Price: (c). Korea Comp Ex 774.07

§ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 25 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday June 19 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	8.3m	598	-4
Hitachi	6.5m	1,600	-10
Fuji Photo Film	6.1m	4,290	+90
MHI	5.9m	1,030	-30
NKK	4.8m	656	-14
Isuzu Motors	4.7m	1,050	-10
Chiyoda Corp	3.9m	2,610	-50
Mitsui Eng&Shp	3.8m	946	-23
Chugai Pharm	3.7m	1,630	-150

3pm prices June 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	19¼	AAR	.48	2.6	12	361	19½	d19	19¼	– ¼
9¼	8	ACM n	1.01	12.		67	8⅞	8⅝	8¾	
11⅛	9⅞	ACMIn	1.26	12.		252	10⅛	10	10⅛	+ ⅛
8¾	7¼	ACM M	n1.01	13.		281	7⅞	7¾	7¾	
12½	10	ACMMM				102	10¼	10⅛	10¼	
11½	9⅞	ACM Sc	1.26	12.		1667	10¼	9⅞	10¼	+ ¼
9⅞	8⅛	ACMSp	1.01	12.		592	8⅞	8¼	8⅞	
24½	14⅞	AL Lab	.16	.7	20	372	22⅞	22¼	22½	– ¼
5⅛	2⅛	AM Int				181	2⅞	2¾	2⅞	
23½	10¼	AM In pf	2	16.		15	12⅝	12½	12½	– ⅛
107¼	82½	AMR			12	2919	65⅞	64⅞	65⅞	+ ½
4¾	3	ARX				7	3⅝	3½	3½	– ⅛
72¾	40⅛	ASA	3a	6.9		497	44	43¼	43¼	– ¾
38¼	28¼	AbtLab	s.84	2.2	19	5990	39⅛	38½	38⅞	– ⅛
16⅞	11¼	Abitibi	g .60			27	13¼	13¼	13¼	
12⅞	8¼	AcmeC	.40	4.7	10	77	8¾	8⅝	8½	
9⅞	7⅞	AcmeE	.32	3.7	11	7	8¾	8¾	8¾	
41⅞	28⅞	Acuson			22	315	37⅛	36¼	36⅞	– ¼
16½	13¾	AdaEx	2.06e	13.		59	16⅜	16⅛	16¼	+ ⅛
15¾	9½	Adobe				104	11⅞	11½	11½	– ⅜
20¼	17¾	Adob pf	1.84	9.4		5	19½	19½	19½	+ ⅛
11⅞	6⅞	AMD			19	1978	9⅛	9	9¼	– ⅛
34⅛	28¼	AMD pf	3	9.5		2	31½	31½	31½	
10⅛	4⅛	Advest	.16	3.5	58	13	4⅝	4⅝	4⅝	
62½	45¾	AetnLf	2.76	5.2	9	1289	52⅞	52⅝	52⅞	+ ¼
14	9¾	AflPb	.24	2.3		730	10½	10¼	10½	+ ¼
25	16⅞	Ahmans	.88	4.3	9	2318	20⅞	20	20¼	– ⅛
3⅝	1⅞	Aileen				12	2⅛	2⅛	2⅛	+ ⅛
58	40	AirPrd	1.32	2.4	14	449	56⅛	55¾	55¾	– ⅜
24¼	13⅞	AirFrt	s		15	119	22¾	22	22¾	+ ½
25¼	15½	Airgas			30	80	19	18⅞	19	+ ¼
20¾	16½	Airlease	2.52	13.	9	103	19	18¾	19	+ ⅛
23¾	21¼	AlaP	pf2.06e	9.3		2	22¼	22¼	22¼	
10¼	9¼	AlaP	dpf.87	9.3		8	9⅜	9⅜	9⅜	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	14¼	RhP pfA				265	17¼	17⅛	17¼	+ ⅛
3½	1⅞	RhnP wt				265	2⅝	2⅝	2⅝	− ⅛
22	15½	RhnPl n				240	19½	19¼	19⅜	+ ⅜
41⅛	29½	RhoAld	.90	2.6	14	409	34½	33⅞	34⅜	+ ½
11-32	3-64	RvrOak				5	5-64	5-64	5-64	+ 1-64
19⅛	14½	RchHlf			13	13	15⅛	15⅛	15⅛	
14⅛	9¾	Robtsn			30	103	12⅛	11⅝	12⅛	+ ⅝
22⅛	17½	RochG	1.56	8.2	10	111	19¼	19⅛	19⅛	− ⅛
45⅝	29⅞	RochTl	s1.46	4.5	17	77	33	32¾	32¾	− ⅜
22⅛	18¼	RckCtr	1.88	10.	17	208	18½	18⅜	18½	+ ⅛
28⅝	19¾	Rockwl	.76	2.8	11	1563	27½	27¼	27⅜	
7⅜	5	RodRen				24	6¾	6⅝	6⅝	+ ⅛
37½	26⅛	RohHaas	1.20	3.5	13	500	34⅞	34½	34¾	+ ⅛
33⅝	18½	Rohr			306	605	24½	24¼	24½	+ ⅜
14⅞	9⅝	RollinE	.08	.6		2605	13⅞	13⅛	13⅞	+ 1
21	15⅞	Rollins	.56	2.9	19	61	19⅝	19½	19⅝	+ ⅛
9⅜	7⅛	RolLeas	.20	2.3	9	345	8¾	8⅝	8⅝	
70¼	36⅛	Rorer	.84	1.2	32	1008	68⅜	68¼	68⅜	+ ⅛
14¼	7⅛	Rowan				1871	12¼	11¾	11⅞	− ⅜
26¾	21¾	RBScot pr2.24e		9.8		32	22⅞	22⅝	22¾	
79⅜	61¼	RoylD	3.85e	5.1	12	3859	76	75⅜	76	+ 1
15	8½	RoyInt	.20	1.9	14	77	10½	10⅜	10½	+ ⅛
10	8½	Royce	.52e	5.4		107	9¾	9½	9⅝	− ⅛
41⅞	25¾	Rubmd	.52	1.3	25	623	41	40⅝	40⅝	+ ⅜
18¾	13¾	RussBr	.40	2.6	16	476	15⅝	15½	15½	
15	7⅞	RussTg	.20	2.0		1016	10⅛	10	10	− ¼
27⅞	20	Russell	.32	1.3	16	207	25⅝	25¼	25½	+ ⅜
31⅞	17⅝	Ryder	.60	2.7	65	554	22½	22	22⅜	+ ⅜
29½	15½	Rykoff	.60	3.5	14	184	17⅝	17⅛	17⅛	
25¾	16¼	Ryland	.60	3.0	6	91	20¼	19¾	19¾	− ⅜
14⅛	8¼	Rymer				4	9⅛	9⅛	9⅛	
10⅝	8⅝	Rymr pf1.17		13.		14	9	9	9	+ ⅛
		– S–S–S –								
41	34⅞	SCEcp	2.56	6.7	10	1387	38⅜	37⅝	38	
14⅛	8⅜	SCOR U	.20	2.0	13	8	10	10	10	
39¾	30¾	SPSTec	1.28	3.4	15	94	37½	37	37½	

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅞	18	Wynns	.60	2.8	15	39	20⅝	20⅜	20½	+ ⅛
		– X–Y–Z –								
99⅞	45⅞	Xerox	3	6.2	6	[illegible]	49	48⅛	48⅝	
34	21⅛	XTRA	.48a	2.0		39	24⅝	24⅛	24⅛	
4⅝	1⅝	Zapata				506	2	1⅞	1⅞	
12⅛	6⅛	Zemex				9	6	5⅝	5⅝	− ⅛
18⅝	7⅞	ZenithE				785	8⅝	8⅛	8⅛	
9⅛	5⅝	Zeniz	.90	15.		67	6	5⅞	6	
18½	13⅞	Zero s	.40	2.8	14	164	14⅝	14⅛	14⅛	− ⅛
49⅞	34	Zurn	.76	1.6	21	450	47⅞	47½	47⅝	
12⅝	10⅝	Zweig	1.21e	11.		301	11⅛	11½	11⅛	
10	9	ZweigTl	.95	10.		1429	9⅝	9⅝	9⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices June 19

[illegible]

NASDAQ NATIONAL MARKET

3pm prices June 19

[illegible]

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WilmTr	1.44	12	208	41	40¾	41	+ ⅜
WiserO	.40	24	5	18⅝	18⅝	18⅝	
Wolohn	.28b	10	20	18¾	18⅛	18¼	
WrlvExp			333	7⅝	7½	7½	
Wolv wt			137	3	2⅞	3	+ ⅛
Worthg	.80	18	580	24⅛	24⅛	24⅜	+ ⅛
Wyman	.80		228	13⅛	12⅞	12⅞	
		– X–Y–Z –					
XL Dta		7	731	13½	12⅞	12⅞	− ⅛
XOMA			1207	23⅛	22⅛	22⅛	+ ⅛
Xicor			55	2⅞	2⅞	2⅞	− ⅛
YanEnS	1.52a	11	18	19½	19	19	− ⅜
YelowF	.76	53	397	29⅝	29¼	29½	+ ⅜
YorkRs		23	594	15⅝	15¼	15⅜	
ZionUt	1.44	8	75	29	28¾	28¾	− ⅝

AMERICA

Dow shows modest gain despite early weakness

Wall Street

AFTER MONDAY'S sharp drop of more than 50 points, the equity market yesterday moved in both directions before finally registering modest gains at the close, *writes Janet Bush in New York.*

The Dow Jones Industrial Average ended 11.38 points higher at 2,893.56 on low volume of 135m shares. At one point during the morning, the index had recouped 15 points of its fall on Monday. Then selling resumed to leave the Dow more than 8 points lower late in the morning before the index inched higher during the afternoon session.

The Dow had slumped 53.71 points to 2,882.18 on Monday, its third-worst fall this year. Although volume was low, there were a number of indicators, noted by Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, which showed technical weakness.

Every stock in the Dow Jones Industrial Average – except for Navistar which was unchanged – fell in Monday's rout. On the New York Stock Exchange, there were 353 advancing stocks and 1,230 declining issues with 428 unchanged. The Dow Jones Utilities Average has fallen below the 210 level, which is significant, and the NYSE and S&P Composite indices have fallen into a pattern of lower peaks and lower troughs, suggesting that they have run into strong upward resistance.

Although the market is primarily concerned with its own internal dynamics and technical issues, the background was mildly inauspicious with the Treasury bond market apparently back in a pessimistic frame of mind about interest rates.

Despite a weak set of housing starts figures for May released yesterday and accompanied by downward revisions in starts for April, the bond market drifted lower to leave the Treasury's benchmark long bond around ¼ point lower in late trading.

Other major indices underperformed the Dow yesterday. The Nasdaq Composite index of stocks traded over the counter, for example, was quoted 0.26 point lower at 460.53. Technology stocks moved in both directions and ended mixed. Microsoft, for example, slipped $¾ before ending $⅛ higher at $75 while Sun Microsystems was quoted $⅛ lower at $32¾ but Oracle Systems added $⅝ to $23⅛.

A number of high-profile stocks listed on the New York Stock Exchange were weak yesterday including Goodyear Tire & Rubber, which dropped on news of a costly restructuring which will cause a second quarter loss of up to $10m, related to the costs of laying off 1,100 employees. Goodyear first rallied on the news but then slipped back to stand $¼ lower at $33⅜.

Motorola was weak, down $⅞ at $85, after a Federal Judge in Texas decided to impose his earlier ruling that ordered the company to stop selling its most successful computer chip. Hewlett-Packard, which uses the chip in some of its computers, gained $⅛ to $47 after falling at the opening.

Occidental Petroleum fell $⅛ to $26 after Standard & Poor's, the US credit rating agency, lowered its ratings on the company's debt and preferred stock, citing high fixed costs, heavy dividend demands and expected earnings weakness.

Canada

TORONTO SHARE prices closed little changed in slow, directionless trade.

The Composite Index closed up 9.2 points to 3,529.05 with advances leading declines by 311 to 294. Volume was 18.72m shares compared with 17.49m on Monday, and value of trading was C$230m, up from C$204.8m.

Placer Dome's C$67.50 a share offer for Stikine Resources expired yesterday. Placer closed up C$⅜ to C$17 with Stikine unchanged at C$67.

Military manoeuvres give Thailand a jolt

Roger Matthews explains Bangkok's recent record-breaking run and subsequent fall

THERE IS nothing quite like military manoeuvring, political or physical, to move markets in the developing world. Thailand's men in green were not happy last week and their lack of good humour was immediately reflected in share prices.

The main index of the Securities Exchange of Thailand (SET) closed on June 8 at an all-time high of 1,033.52, a rise of more than 20 per cent since the beginning of January. During the three-hour trading session on Monday, June 11, it lost about 4 per cent to 991.27. The index fluctuated for the rest of the week, but yesterday it stood little changed from the previous Monday's closing level, at 989.28, up 5.96 on the day.

The uncertain mood of the market is due primarily to concern about the stability of the Government following the resignation of General Chavalit Yongchaiyudh, the deputy Premier and Minister of Defence. Demonstrations by fellow officers in support of Gen Chavalit early last week provoked fears of direct military intervention.

On another front, SET officials hinted darkly about launching another investigation into possible market manipulation, although brokers had already predicted that it would not take much to trigger a correction in what they said was a heavily over-bought market.

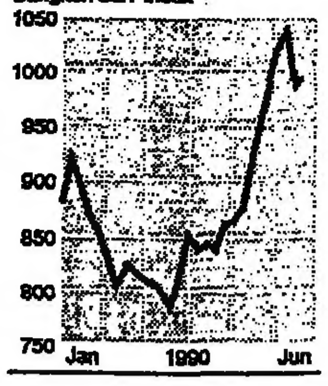
The already bullish mood had been fuelled in the previous three weeks by two positive developments, which in the short term had encouraged speculation:

- the extension of daily trading hours from two to three;
- and the Government's announcement that it was to remove most of the remaining foreign exchange controls.

The immediate impact of the extra hour of trading a day was an increase in speculative activity, higher volume and problems for some brokers in coping with the heavier workload. An SET official says that he believes the exchange's 35 brokerages have the overall capacity to cope with about 10,000 transactions a day, while volume recently has sometimes touched about 20,000 transactions.

Thailand

Bangkok SET Index



This trend towards higher daily volume was reinforced by the long-awaited relaxation of foreign exchange controls, which was immediately interpreted locally as the signal for a further and more substantial inflow of funds from abroad.

Until recently it had been assumed that most foreign funds were in Thailand primarily for the country's long-term growth potential. However, the emergence of Taiwanese players and a few from South Korea is causing some modification of that view.

Mr Mark Greenwood, general manager of First Pacific Asia Securities Thailand, believes that last week's correction was intrinsically beneficial. "The market was reaching the point where, if there had not been a correction, it would have been positively unhealthy," he says.

At the same time, he believes that the SET will become more volatile as the extension of hours and freeing of foreign exchange controls encourage more institutions to become involved in Thailand.

But, as all brokers like to point out, Thailand's fundamentals remain highly positive. The latest assessment of the economy by the International Monetary Fund asserts that, in the short and medium term, Thailand has the capacity to continue growing annually at 7 to 8 per cent.

Latest independent Thai forecasts suggest a growth rate close to 9 per cent this year, only a marginal slowing from the double-digit performances in 1988 and 1989. Corporate profitability is expected to mirror this trend.

As military wrath dissipates, it may also be worth reflecting that while over the past 50 years discontented soldiers have several times moved governments, last week they only moved markets – the best indication yet that Thai politics, like its economy, may also be maturing.

EUROPE

Domestic buying pushes Frankfurt 2.2% higher

MONDAY'S fall on Wall Street had a limited effect on bourses yesterday, particularly in West Germany where sellers dried up and domestic institutions came in as buyers, *writes Our Markets Staff.*

FRANKFURT staged a notable rally, the DAX index closing 39.32, or 2.2 per cent, higher at 1,836.74 after a rise of 6.15 to 771.87 in the FAZ at midsession.

Mr Werner Wanke, head of securities at B Metzler in Frankfurt, said that the rise had accelerated in the last half hour of trading: Daimler closed DM19 higher at DM817 after trading around DM809 for most of the day, and Deutsche Bank DM14 better at DM778 after DM771.

A lack of sellers, and domestic buying were the main reasons for the rise, he said. Metzler thinks that equities are still in volatile territory, and will need to see a sustained recovery in domestic bonds before they mount a sustained revival. Yesterday, the average bond yield fell only 1 basis point, to 9.00 per cent.

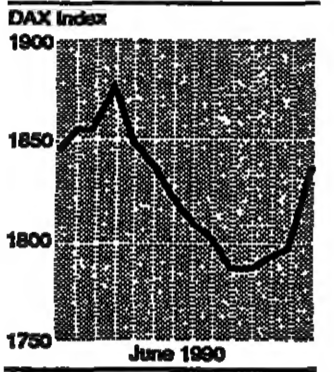
However, there was technical encouragement: Siemens (up DM16.20 at DM724.20), Daimler and Deutsche Bank all made a determined move away from their downward resistance points of DM700, DM800 and DM750 respectively; overall volume rose from DM6.2bn to DM8bn.

Further, on the Deutsche Terminbörse, the number of contracts traded rose to 35,579 from 27,641 on Monday, and the ratio of calls to puts from 3:1 to 3.4:1. At the beginning of the year the ratio was as high as 5:1; but in the recent, depressed phase of the market it has been as low as 1:1.

PARIS rebounded in late morning, after falling in thin, early trading. The CAC 40 index closed 11.81 up at 2,000.14, near its high for the day, after reaching a low of 1,971.88.

W.Germany

DAX Index



Frankfurt provided an early boost, while Wall Street's opening gains gave support later in the day. Turnover was estimated at FFr2.5bn, up from Monday's FFr1.8bn.

BSN, the food company, had a block of 254,000 shares traded at FFr840 in the morning. There was speculation that the sellers were companies in the Lazard group, which owns 6 per cent of BSN. The stock closed at FFr849, up FFr13, with 333,067 shares traded.

One of the day's biggest falls was by Auxiliaire d'Entreprises, which lost FFr76 to FFr1,070 after the construction company said that it had agreed with Mr Michel Pelège that he would not raise his stake from 20 to 25 per cent. Hachette, the communications group, dropped FFr22.90 to FFr362.10 on a forecast of unchanged 1990 profits.

MILAN saw demand for Fiat following a report in a US trade magazine that the car manufacturer was talking with Chrysler of the US about a partnership which could include joint development of new car models or the manufacture of Fiat's Tipo model in the US. Fiat shares rose L87 to L10,380, but company officials dismissed the reports and traders were also sceptical, given Fiat's failure to link up with Saab of Sweden or Renault of France.

The general market was constrained by Wall Street and signs of tension within the coalition Government. The Comit index added 1.26 to 758.68 in volume estimated at less than Monday's L261bn. Generali added L290 to L44,600.

MADRID recovered some of its early losses as Wall Street opened higher. The general index closed 0.41 down at 282.96, after finishing the morning session at 281.21, and turnover picked up to an estimated Pta11bn from the previous day's thin Pta7.8bn.

Banks and constructions, which had fallen sharply in the morning, regained some ground, with Uralita gaining Pta5 to Pta3,760, after falling earlier to Pta3,700.

AMSTERDAM recouped early losses, the CBS Tendency index closing 0.4 up at 119.5 after a low of 118.7. Hagemeyer, the trading company fancied by Mr Ian Blackford of UBS Phillips and Drew because of the management's intention greatly to improve margins, was unchanged at Fl 111.

OSLO was weak for the second day running, depressed by losses for the first four months at Den Norske Bank. The all-share index, which fell 8.26 on Monday, closed 2.27 lower at 609.89. Den Norske Bank lost NKr7.5 to NKr135, the lowest level since the shares started trading in April at NKr196.

ATHENS hit another record in heavy trading as fears of a drachma devaluation prompted investors to shift bank savings into equities. The general share index rose 22.21 from Monday's record to 1,353.08.

ASIA PACIFIC

Money supply fears deepen cautious mood

Tokyo

THE SHARP overnight fall on Wall Street and high domestic money supply figures intensified the cautious mood yesterday, and share prices fell in subdued trading, *writes Michiyo Nakamoto in Tokyo.*

Lower futures prices made their contribution, as professionals sold on the cash market to unwind their arbitrage positions. The Nikkei average opened, and stayed weak, closing 336.42 lower at 32,040.38.

In intraday trading, the Nikkei fell below 32,000 for the first time since May 23, to a low of 31,913.82 against a high of 32,324.19. Volume stayed very low at 330m shares against Monday's 300m. Losers outnumbered winners by 813 to 182 with 129 unchanged.

In a market with such low turnover, the large number of declining stocks indicated that, while selling was wide-ranging, it was mostly in small lots. The Topix index of all listed stocks fell 27.10 to 2,353.93 and, for the first time in six sessions, the second section index also posted a substantial drop. In London the ISE/Nikkei 50 index fell 5.85 to 1,746.93.

"Investors are waiting for a series of important events in July," said Mr Toshiyuki Nishiguchi at Daiwa Securities. None of these – the meeting of the Federal Open Market Committee in the US, the Soviet Communist Party congress, monetary union of the two Germanies and the summit of leaders of the Group of Seven industrial nations in Houston – are expected individually to have a major effect on the market; but together, they are significant enough to call for a defensive stance.

Yesterday's announcement of higher-than-expected money supply figures for May was generally expected; but combined the rise in the US of mining and manufacturing output in May, the figures made it less likely that interest rates would come down.

Issues sensitive to interest rates were widely sold. Nippon Steel led the most actives list in turnover of 8.3m shares, losing Y4 to Y586 as Mitsubishi Heavy Industries dropped Y30 to Y1,030.

Among individual fallers, Chugai Pharmaceutical was actively sold and declined Y150 to Y1,630. A leading newspaper report that Chugai would see pre-tax profits fall 40 per cent in the year to December, 1990 touched off heavy selling in the stock yesterday.

In contrast, Dainippon Pharmaceutical continued its rise, adding Y50 to Y3,290 on expectations that it would make a bullish report on its research at conference on cancer.

Other special situations included Fuji Photo Film, which is expected to post record pre-tax profits in the year to October, 1990, due to buoyant sales of its disposable cameras. Fuji was also liked for its low price/earnings ratio, and there was talk that the company might increase its dividend payout. It was third in volume with 6.1m shares.

Special situations were bought in Osaka but the OSE average lost 356.92 to 35,214.65. Volume dropped to 30.7m shares from the 43.8m traded on Monday. Dai-Dan, an engineering company based in Osaka, rose to a record Y3,690, up Y200, on brisk demand for air conditioners incorporating new technology.

Roundup

HONG KONG and Australia stood up well yesterday to the overnight weakness on Wall Street, the former making a particularly good showing, but most other Pacific Rim markets were lower.

HONG KONG returned from Monday's holiday to close firmer on late overseas buying. Wall Street's weakness had dampened prices initially. The Hang Seng index climbed 27.50 to 3,229.02, its best finish since May 1989. Turnover rose to HK$2.06bn from Friday's HK$1.96bn. Utilities, which had been lagging behind the market, featured, with Hong Kong Telecom 20 cents higher at HK$6.25 and China Light up 40 cents at HK$14.70. Second-line stocks were also in demand.

AUSTRALIA ended only slightly lower after an afternoon rally trimmed early losses. Investors were encouraged by the steadiness of the market in the wake of Wall Street's overnight plunge. The All Ordinaries index lost 6.5 to 1,499.4 in low volume of 77m shares worth A$151m, down from Monday's 85m shares and A$200m.

Elders IXL, the most active stock with 6m shares traded, lost 2 cents to A$1.83.

NEW ZEALAND was worried by New York's fall, and share prices declined. The Barclays index closed 18.99 down at 1,792.50; it recovered, however, from its day's low of 1,783.

Bank of New Zealand, the big commercial bank, fell 1 cent to 89 cents after saying that it would not raise lending rates, in spite of the current upward pressure on rates.

SEOUL fall sharply for the second consecutive session. The composite index was 6.78 lower at 749.61 on volume of 10.5m shares or 175.1bn won. Prices rose briefly in mid-afternoon on rumours that President Roh Tae-Woo would soon meet Chinese leader Deng Xiao Ping. But they fell back after the Government denied these rumours.

MANILA's string of advances came to an end, as mild profit-taking pulled the composite index 9.64 lower to 910.87. Before yesterday's fall, the index had risen 20.4 per cent since June 7. Mining stocks attracted buyers yesterday on the back of a rise in world copper prices.

SINGAPORE closed lower on profit-taking and stop-loss selling. The Straits Times index fell 10.85 to 1,534.87 while turnover edged up to 35.9m shares from 32.6m.

KUALA LUMPUR also finished easier. The composite index fell 3.11 to 570.89 and turnover rose to 21.4m shares from 19.6m. But Magnum Corp bucked the trend, adding 20 cents to M$9.15 on continued talk of a takeover bid by Inter Pacific.

TAIWAN ended lower on a wave of late selling. The weighted index declined 123.56 to 5,892.88. Volume rose to 1.02bn shares or NT$50.8bn from 970m shares or NT$50.9bn.

SOUTH AFRICA

GOLD SHARES failed to hold on to Monday's meagre gains and closed easier in quiet trading. The JSE all-gold index fell 4 to 2,929 and the overall index lost 12 to 2,993. Southvaal dropped R3 to R99 while De Beers was steady at R93.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 19 1990								MONDAY JUNE 18 1990					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	139.20	+0.2	119.95	135.11	120.86	118.14	−0.4	5.89	138.96	120.23	135.01	121.08	118.63	158.31	125.85	132.96
Austria (19)	242.22	−0.5	208.73	235.11	210.31	210.65	−1.1	1.30	243.46	210.65	236.54	212.14	213.08	285.63	193.15	122.65
Belgium (61)	150.88	+0.2	130.01	146.43	130.99	127.81	−0.6	4.51	150.58	130.28	146.28	131.20	128.48	160.02	132.11	128.65
Canada (119)	136.75	+0.1	117.84	132.73	118.72	116.20	+0.2	3.49	136.60	118.19	132.71	119.02	115.98	153.61	130.37	139.00
Denmark (33)	261.19	+0.4	225.07	253.52	226.77	225.84	−0.3	1.28	260.23	225.16	252.83	228.75	226.60	261.19	238.69	191.86
Finland (26)	136.73	+0.2	117.82	132.72	118.72	113.33	−0.3	2.42	136.41	118.03	132.54	118.86	113.65	152.29	129.99	141.68
France (125)	157.96	+0.7	136.12	153.31	137.13	139.13	+0.3	2.95	156.93	135.78	152.45	136.73	138.71	168.85	141.69	118.12
West Germany (93)	128.99	+1.1	111.16	125.22	111.99	111.99	+0.8	1.99	127.54	110.35	123.93	111.13	111.13	137.71	122.05	88.19
Hong Kong (48)	133.03	+0.5	114.64	129.12	115.51	133.02	+0.5	4.72	132.39	114.56	128.63	115.37	132.30	133.03	112.24	97.49
Ireland (17)	190.24	−0.1	163.93	184.65	165.17	167.06	−0.5	2.62	190.51	164.83	185.09	166.00	167.93	198.57	172.72	133.72
Italy (96)	109.26	+0.6	94.15	106.04	94.86	100.00	+0.2	2.37	108.65	94.00	105.55	94.66	99.82	109.26	91.85	82.37
Japan (454)	147.26	−1.1	126.90	142.93	127.87	142.93	−1.2	0.59	148.98	128.90	144.74	129.83	144.74	197.26	124.40	171.72
Malaysia (35)	225.13	−0.5	194.00	218.50	195.46	234.93	−0.5	2.30	226.18	195.70	219.74	197.07	236.20	245.32	204.15	180.02
Mexico (13)	506.93	+0.5	436.84	492.04	440.14	1578.80	+0.5	0.33	504.65	436.64	490.30	439.73	1571.13	549.86	324.53	255.28
Netherland (43)	140.46	+0.7	121.04	136.33	121.96	120.46	+0.3	4.68	139.47	120.68	135.50	121.53	120.09	145.66	130.43	118.89
New Zealand (17)	65.34	−1.0	56.30	63.42	56.73	59.44	−1.2	7.46	65.99	57.10	64.12	57.50	60.15	75.36	59.57	66.24
Norway (23)	233.22	+0.7	200.97	226.37	202.49	203.62	+0.1	1.51	231.57	200.36	224.99	201.78	203.51	245.90	202.34	174.91
Singapore (25)	205.49	−0.6	177.08	199.46	178.41	174.39	−0.9	1.94	206.72	178.86	200.84	180.12	176.04	207.93	179.70	160.58
South Africa (60)	176.12	+0.2	151.77	170.94	152.91	150.68	−0.2	3.96	175.83	152.14	170.83	153.21	151.09	251.39	170.00	142.52
Spain (42)	161.01	+0.1	138.75	156.28	139.79	125.88	−0.2	4.23	160.77	139.11	156.20	140.09	126.12	165.19	132.84	147.65
Sweden (34)	215.99	+0.5	186.13	209.65	187.54	193.69	−0.1	2.09	214.93	185.97	208.82	187.28	193.85	217.57	173.89	162.08
Switzerland (66)	104.06	+0.3	89.67	101.01	90.36	90.83	−0.3	2.27	103.77	89.79	100.83	90.44	91.13	104.31	88.75	77.86
United Kingdom (304)	165.03	+0.4	142.21	160.17	143.27	142.21	+0.0	4.77	164.44	142.28	159.75	143.27	142.28	166.11	139.87	138.58
USA (537)	144.98	+0.4	124.93	140.73	125.86	144.98	+0.4	3.35	144.40	124.94	140.30	125.83	144.40	148.55	130.61	131.03
Europe (982)	148.22	+0.5	127.72	143.86	128.69	127.78	+0.1	3.56	147.42	127.56	143.23	128.46	127.63	148.22	135.57	116.83
Nordic (116)	206.74	+0.5	178.15	200.67	179.50	174.86	−0.2	1.72	205.80	178.06	199.95	179.32	175.17	206.93	185.01	157.78
Pacific Basin (659)	146.38	−1.1	126.14	142.09	127.10	141.40	−1.2	0.91	147.95	128.01	143.75	128.92	143.08	192.75	124.68	167.48
Euro−Pacific (1641)	147.52	−0.4	127.12	143.17	128.07	136.44	−0.6	2.00	148.13	128.17	143.91	129.07	137.34	174.18	130.35	147.30
North America (656)	144.39	+0.4	124.42	140.16	125.38	143.07	+0.4	3.36	143.83	124.45	139.75	125.35	142.51	147.87	131.02	131.42
Europe Ex. UK (678)	136.62	+0.7	117.73	132.63	118.64	118.84	+0.2	2.78	135.73	117.44	131.90	118.30	118.57	139.50	124.81	102.98
Pacific Ex. Japan (205)	135.12	+0.1	116.44	131.17	117.33	120.53	−0.2	5.09	134.97	116.78	131.15	117.61	120.77	139.32	122.53	116.79
World Ex. US (1833)	147.65	−0.4	127.23	143.32	128.20	136.28	−0.6	2.06	148.22	128.25	144.02	129.16	137.12	173.77	131.30	147.03
World Ex. UK (2066)	143.67	−0.2	123.80	139.46	124.75	138.72	−0.3	2.25	143.92	124.52	139.83	125.41	139.12	162.00	130.80	140.53
World Ex. So. Af. (2310)	145.37	−0.1	125.27	141.12	126.23	138.93	−0.3	2.49	145.56	125.93	141.42	126.83	139.31	161.84	131.95	140.33
World Ex. Japan (1916)	146.13	+0.4	125.92	141.85	126.89	137.20	+0.3	3.51	145.50	125.89	141.38	126.80	136.85	147.88	134.62	125.59
The World Index (2370)	145.56	−0.1	125.43	141.29	126.39	139.02	−0.3	2.50	145.73	126.09	141.59	126.99	139.39	162.05	132.26	140.34

Constituent change 19/6/90: Name change: Intl. Minerals & Chemicals to Imcera Group Inc.(US).